The Cost of Uncertainty: Medicaid in Puerto Rico and the Gaps in Federal Funding

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THE COST OF UNCERTAINTY: MEDICAID IN PUERTO RICO AND THE GAPS IN FEDERAL FUNDING

This report was prepared by the Deputy Director of Research of *Espacios Abiertos* (EA), Angélica V. Marrero Sánchez. The report benefited from input from the EA team, particularly its President, Javier Balmaceda; Co-Executive Director Daniel Santamaría Ots; public policy analyst Brayan Rosa Rodríguez; and data analyst Nitza Agosto Betancourt. We are especially grateful to the organizations and donors who support our analysis and research work. *Espacios Abiertos* aspires to a more open and democratic society that, in turn, produces a more just and equitable Puerto Rico. To that end, *Espacios Abiertos* works to ensure that the government and its instrumentalities are accountable to the public for their management, with an emphasis on transparency in the use of public funds.

Executive Summary

Puerto Rico's Medicaid program is once again on the brink of a federal funding cliff. The current federal allocation is around $4 billion and is part of a five-year agreement that expires on September 30, 2027.

Absent legislative action by the U.S. Congress, the annual allocation would revert to its base levels, representing a reduction of close to 90% in federal contributions — or less than $500 million for the program in federal fiscal year 2028. The Federal Medical Assistance Percentage (FMAP), in turn, would also revert from 76% to 55%.

Medicaid spending, however, is projected to continue growing at a rate of around 5% per year over the coming decades, outpacing even the statutory inflation adjustment to the current funding level.

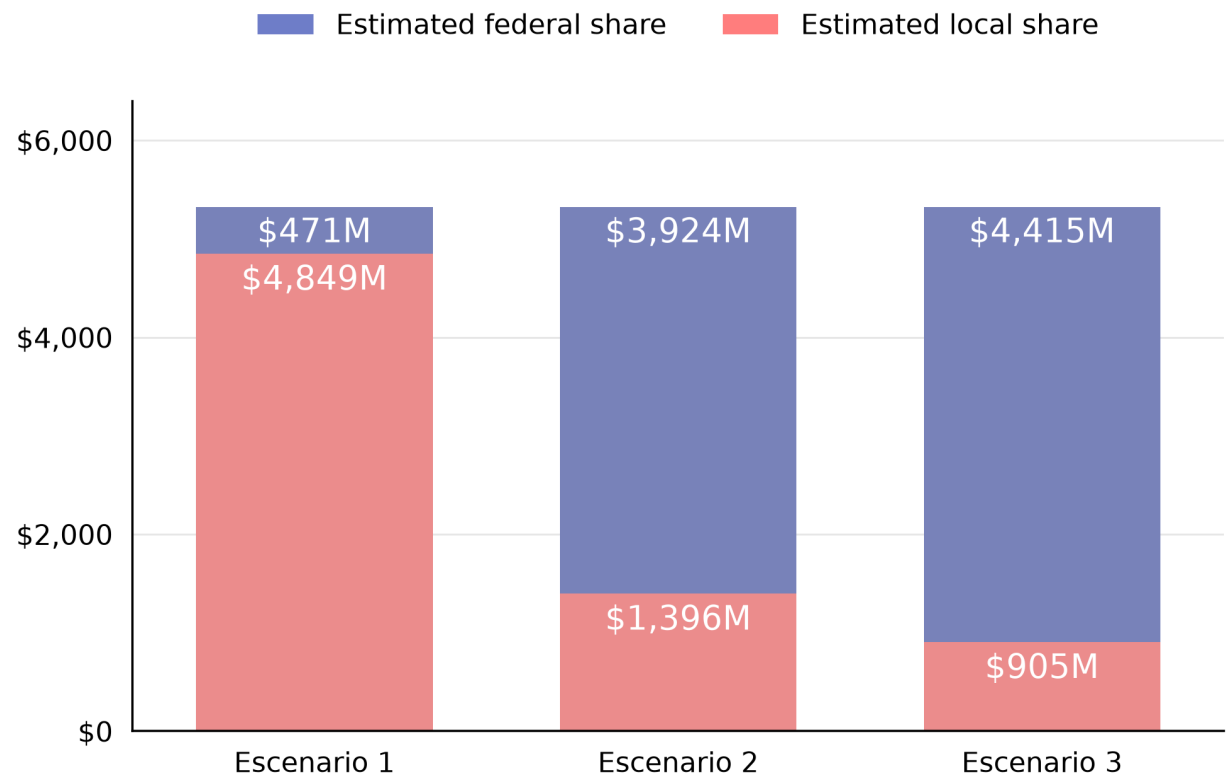
This analysis by *Espacios Abiertos* describes the structure of federal Medicaid funding in Puerto Rico, presents a historical timeline of changes to that funding, and analyzes the potential fiscal impact of a federal funding cliff.

The analysis models three main scenarios:

- **Scenario 1:** Fiscal cliff
- **Scenario 2:** Extension of current funding levels
- **Scenario 3:** An increase similar to what the Government of Puerto Rico has reportedly requested from the U.S. Congress

Our findings confirm that if Congress does not adopt legislation to maintain or expand the level of federal Medicaid funding, sustaining current coverage would have a fiscal impact on Puerto Rico of about $4.849 billion (Scenario 1; Figure 1). This figure is equivalent to 35.4% of the General Fund for fiscal year 2028, and contrasts dramatically with the estimate for the current fiscal year of 11.7% of the General Fund. Faced with this scenario, the Government of Puerto Rico would have limited options for closing the estimated funding gap: reducing or eliminating spending in other programmatic areas, such as education, or scaling back Medicaid coverage, including eliminating services. Any such decision would be harmful to the people of Puerto Rico and would carry drastic fiscal consequences in the short and long term. This analysis does not project which of these options would be adopted — it estimates the cost of maintaining current coverage.

Figure 1: Estimated federal and local contribution by scenario, federal fiscal year 2028 ($millions)



Meanwhile, a continuation of the current funding level, adjusted for inflation, would result in a moderate increase in the fiscal impact on the Island, reaching $1.396 billion, or 10.2% of the General Fund, for fiscal year 2028 (Scenario 2). Over the long term, this would still produce a growing federal funding gap, because the increase in Medicaid costs in Puerto Rico outpaces the price index used to adjust the annual ceiling for inflation.

Finally, a scenario in which the federal contribution covers 83% of estimated Medicaid spending, while maintaining the current level of coverage and services, results in an impact equivalent to 6.6% of the General Fund for fiscal year 2028 (Scenario 3). Even so, if the program's legal structure remains unchanged — with federal allocations determined by an annual ceiling set by the U.S. Congress rather than by the formula used for the states — the risk remains that Medicaid spending will grow faster than federal allocations.

The federal funding gap is complex, driven by a combination of public policy factors, inflation, limits on service provision, and uncertainty about the fiscal impact. This gap, together with the uncertainty that constantly accompanies its funding, limits the Medicaid program's ability to provide the same level of medical care as the states — leaving services as important as long-term care out of reach for beneficiaries in Puerto Rico.

Findings

- Medicaid is the backbone of Puerto Rico's health care system: nearly 4 out of every 10 Puerto Ricans (1.3 million people) depend on the program, most of them under age 20 or over age 61.
- Funding limitations have left Puerto Rico's Medicaid program incomplete relative to the states: even with current funding, it does not cover all the services required by CMS.
- Medicaid funding in Puerto Rico is subject to significant disparities compared with the states: it operates under a fixed FMAP and an annual ceiling that reduces the level of federal contribution to the program.
- Funding has depended on temporary extensions rather than a permanent solution, and that pattern is about to repeat itself: the current agreement expires on September 30, 2027, and without action from Congress, the federal contribution would fall by close to 90%.
- Absent a permanent solution on par with the states, the funding gap will keep growing no matter how long the current level is extended, because Medicaid spending grows faster than the price index used to adjust the annual ceiling.
- Without federal legislative action, the Government of Puerto Rico would have to cover up to $4.849 billion in local funds, equivalent to 35.4% of the General Fund.
- A reduction in funding would put the medical coverage of between 700,000 and 1 million Puerto Ricans at risk, and would affect municipal finances.

Recommendations

To the U.S. Congress

- Eliminate the annual ceiling and set Puerto Rico's FMAP using the formula applicable to the states (83%, with no ceiling).
- If a temporary extension is approved instead, it should include: a minimum term of five years, a ceiling indexed to actual Medicaid spending in Puerto Rico, correction of the base year, and funding for any new conditions imposed on the program.

To the Government of Puerto Rico, PRHIA, and the PRDoH

- Adopt and publish a contingency plan for a possible reduction in federal funding, including its effect on municipalities.
- Publish the program's financial information on a recurring, centralized basis, together with coverage and quality indicators.
- Estimate and publish the cost of achieving funding parity using the eligibility and coverage criteria applied in the states.

Contents

Medicaid: The Backbone of Puerto Rico's Health Care System

Medicaid is a federal program designed to provide medical care to certain populations in need. In Puerto Rico, the program's funds finance Plan Vital, which provides medical coverage to a large share of the population (close to 40%) and has a direct impact both on the quality and availability of health services for beneficiaries and on Puerto Rico's economy.

Medicaid is a program jointly funded by the Federal Government and the states and territories that provides health insurance and assistance with medical costs for low-income populations, families and children, pregnant women, older adults, and people with disabilities.[1] Medicaid, together with the Children's Health Insurance Program (CHIP) and Medicare, make up the main health programs of the U.S. Government.[2] Both CHIP and Medicare are funded separately and are not part of the federal Medicaid funding structure discussed below.

In Puerto Rico, Medicaid is the main component of public health spending. The health sector, in turn, represents the largest allocation in Puerto Rico's consolidated budget, at 22.6% in fiscal year 2027 ($7.474 billion). Of that amount, 66.1% comes from federal funds ($4.942 billion).[3] This percentage is even higher when agencies and programs that allocate part of their budget, directly or indirectly, to health services outside the health programmatic area are taken into account.[4]

Federal allocations to the Puerto Rico Department of Health (PRDoH) and the Puerto Rico Health Insurance Administration (PRHIA, or *ASES* in Spanish) — the two agencies that administer the Medicaid program — represent nearly two-thirds of the Consolidated Budget for the health area in Puerto Rico in fiscal year 2027 ($4.874 billion). Although these line items include allocations to federal programs such as CHIP, the majority of federal allocations in the health area correspond to Medicaid.

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[1]U.S. Centers for Medicare and Medicaid Services. "Medicaid." Medicare.Gov. Accessed August 24, 2026. https://www.medicare.gov/basics/costs/help/medicaid.

[2]CHIP offers medical coverage to children in families with incomes too high to qualify for Medicaid but too low to obtain private coverage. Medicare is the federal health insurance program for people 65 and older. U.S. Centers for Medicare and Medicaid Services (CMS). "Children's Health Insurance Program (CHIP)." Medicaid.Gov. Accessed August 24, 2026. https://www.medicaid.gov/chip; CMS. "Get Started with Medicare." Medicare.Gov. Accessed August 24, 2026. https://www.medicare.gov/basics/get-started-with-medicare.

[3]Espacios Abiertos. Observatorio Fiscal. https://www.observatoriofiscalpr.com/chart/presupuesto-sabana/. The health sector is defined as the agencies in the health programmatic area, made up of: la Administración de Seguros de Salud, PRDoH, la Administración de Servicios Médicos de Puerto Rico, la Administración de Servicios de Salud Mental y Contra la Adicción, la Corporación del Centro Cardiovascular de Puerto Rico y el Caribe, el Centro Comprensivo del Cáncer, and el Centro de Investigaciones, Educación y Servicios Médicos para la Diabetes.

[4]In its 2024 report, the Oficina de Presupuesto de la Asamblea Legislativa (OPAL) estimated that in fiscal year 2025, 70% of total health spending in Puerto Rico came from federal funds, and that this included 19 agencies and programs outside the health programmatic area. Oficina de Presupuesto de la Asamblea Legislativa (OPAL). Informe Especial: Gasto de Salud En Puerto Rico. 2024. https://cdn.prod.website-files.com/6494534de813e5b9fe60bda2/674f6c7fbb6099b651a4a9bb_OPAL-Informe%20Especial%20Gasto%20de%20Salud%20en%20Puerto%20Rico.pdf.

Medicaid provides medical coverage to about 1.3 million people, or 39.9% of Puerto Rico's population (Table 1).[5] As of August 2026, more than half of participants (52.3%) were either under age 20 or over age 61. Added to this figure are about 292,000 Medicare beneficiaries who are also eligible for Medicaid, known as *Medicare Platino*.[6]

Table 1. Participants in Medicaid, CHIP, and the state health program by age group, 2026

Age Group	Participants	% of Beneficiaries
0–10	153,167	11.4%
11–20	185,415	13.8%
21–30	172,538	12.8%
31–40	157,486	11.7%
41–50	146,807	10.9%
51–60	163,532	12.1%
61–70	177,482	13.2%
71–80	123,752	9.2%
80+	66,480	4.9%
Total	1,346,659	100%

Source: *Departamento de Salud* de Puerto Rico. (Update of August 26, 2026). Medicaid Program. Statistics. https://www.medicaid.pr.gov/CMS/20

Note: Totals may not add up to 100% due to rounding. Medicaid represents 97% of beneficiaries.

A large share of Puerto Rico's Medicaid beneficiary population lives with chronic conditions. According to the most recent data from PRHIA, in 2024 more than 300,000 Medicaid beneficiaries had hypertension, about 188,000 had diabetes, and around 180,000 had asthma, heart disease, or mental illness, among other health conditions.[7] Among Medicaid beneficiaries, the prevalence of conditions such as asthma, heart disease, diabetes, HIV/AIDS, and sexually transmitted infections is higher than on the U.S. mainland.

Medicaid is also an important source of revenue for Puerto Rico's health sector. For community health centers, Medicaid is the main source of revenue: in 2023, it accounted for 70% of these centers' revenue. These centers serve around 300,000

[5]1,290,188 participants / 3,234,309 residents, according to the most recent estimates from the U.S. Census Bureau, American Community Survey 5-year Estimates, https://data.census.gov/table/ACSDP5Y2024.DP05?q=Puerto+Rico.

[6]Administración de Seguros de Salud (ASES). "¿Qué es ASES? Estadísticas." Accessed August 24, 2026. https://www.ases.pr.gov/sobre-ases#Estadisticas.

[7]ASES, "¿Qué es ASES? Estadísticas."

program beneficiaries, including children (30% of the total).[8] They also contribute more than 5,000 jobs to the Island's economy.

Federal Funding: One Program, Two Versions

Medicaid works differently in Puerto Rico than in the states. For the states, the federal government contributes to program spending through a match of federal and state funds. The level of federal contribution reaches a percentage based on each state's per capita income, but it does not cap the total amount of funds allocated.

Puerto Rico's version of the program has two distinguishing features: 1) the federal matching percentage is fixed and does not adjust based on per capita income, and 2) the U.S. Congress determines the total amount of funds allocated to Puerto Rico in advance through an annual ceiling. As a result, the level of federal contribution is lower than what the matching percentage alone would produce, and much lower than what states receive. Other features of the program further limit Puerto Rico's version of Medicaid: a different poverty line is used than in the states, the Government of Puerto Rico cannot provide all of the services required under Medicaid, and program spending grows at a faster pace on the Island than the adjustment to the annual ceiling.

The Medicaid program is jointly funded by the federal government and the states or territories, which must contribute a share in order to access federal funds. In Puerto Rico, the level of Medicaid funding is determined by federal statute and differs widely from funding for the states.

In the states, the federal government contributes a percentage of Medicaid spending ranging from a minimum of 50% to a maximum of 83%. This percentage — known as the Federal Medical Assistance Percentage (FMAP) — is calculated based on each state's per capita income and is adjusted annually with no ceiling.[9] By contrast, the federal government fixed the FMAP for Puerto Rico and the other territories at 55% for 1966–1967 and at 50% starting in 1968, with no annual review. In addition, Congress imposed an annual ceiling (known as the Section 1108(g) allotment) on the federal funds allocated to the program, which effectively reduced the FMAP. In 2023, the U.S. Congress raised the FMAP for the territories — with the exception of Puerto Rico — to 83%.[10]

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[8]Puerto Rico Community Health Centers: The Role of Medicaid. (2025). The Geiger Gibson Program in Community Health at The George Washington University. https://geigergibson.publichealth.gwu.edu/sites/g/files/zaxdzs4421/files/2025-02/chc-medicaid-factsheet-pr-013025.pdf.

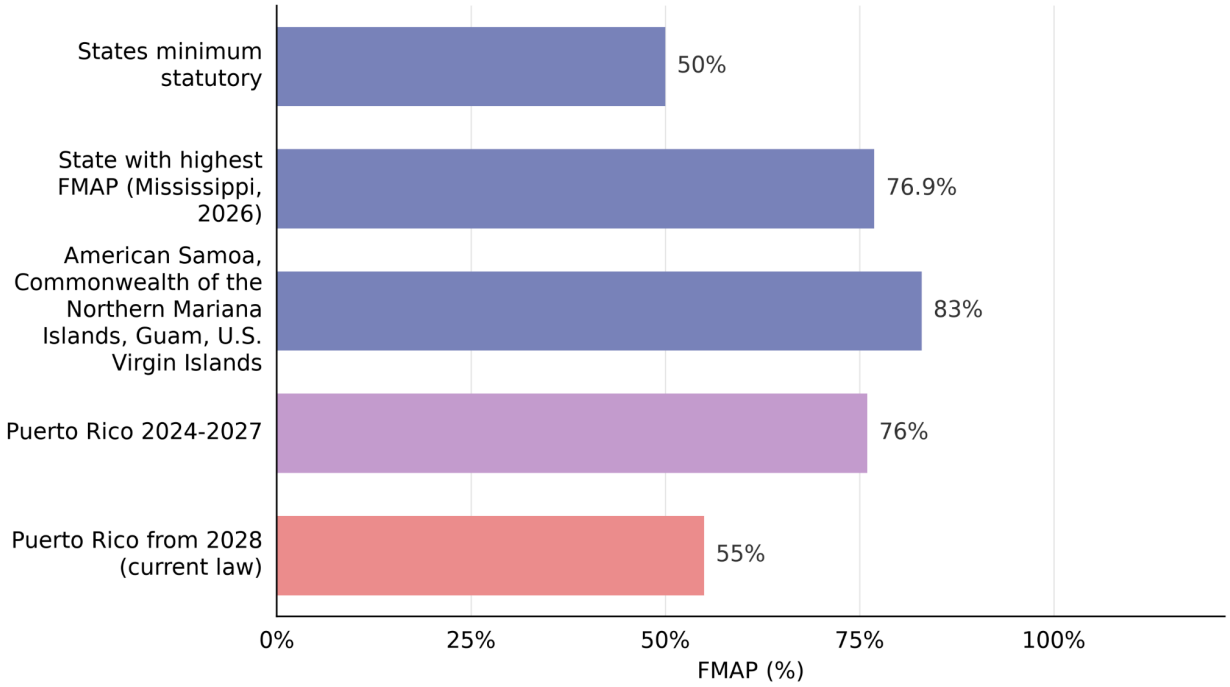
[9]The formula accounts for each state's per capita income relative to national per capita income, producing a higher percentage for states with lower per capita income. In the federal fiscal year 2026, the FMAP ranged from 50% to 76.9%. States receiving the minimum federal funding level of 50% were California, Colorado, Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, New York, and Wyoming. The state with the highest FMAP was Mississippi, at 76.9%. 89 FR 94742

[10]P.L. 117-328; Mitchell, A. (2023). Legislative History of Medicaid Financing for the Territories (No. R47601). Congressional Research Service. https://www.congress.gov/crs_external_products/R/PDF/R47601/R47601.1.pdf.

As a result, because of this arbitrary federal ceiling and the program's statutory limitations, Puerto Rico receives less Medicaid funding than the states. Given the limits imposed by the annual ceiling, Puerto Rico's effective FMAP has, in some years, been estimated at just 15% to 20% — far below the statutory level.[11] The FMAP and the annual ceiling are important indicators for the Government of Puerto Rico, since every dollar invested in Medicaid above the federal contribution must be financed entirely with local funds.

Figure 2 illustrates the current FMAP for Puerto Rico, the other territories, and a benchmark for the states, as well as the FMAP anticipated for fiscal year 2028 absent legislative action.

Figure 2: Statutory FMAP for the territories, Puerto Rico, and a state reference (federal fiscal years)



Timeline of Changes in Medicaid Funding for Puerto Rico

Table 2 summarizes the changes in federal funding over the years, as discussed below.

Table 2. Summary of changes in federal funding over the years

[11]Center on Budget and Policy Priorities (CBPP). "Puerto Rico's Medicaid Program Needs an Ongoing Commitment of Federal Funds." April 22, 2019. https://www.cbpp.org/research/health/puerto-ricos-medicaid-program-needs-an-ongoing-commitment-of-federal-funds.

Federal fiscal year	FMAP	Annual ceiling (Section 1108(g) allotment) and additional allocations
1966–1967	55%	None
1968–2010	50%	Amounts specified in federal law: from $20 million in 1968 to $364 million in 2010.
2010–2019	Oct 2010–Jun 2011: 50%	Annual ceiling of $364 million in 2010, plus additional allocations of $5.5 billion valid for 8 years. Additional allocation of $925 million valid between January 2014 and December 2019.
	Jul 2011–Sep 2011: 55%	
	55%	
2017–2019	55%	Additional allocation of $296 million.
2018–2019	100%	Additional allocation of $4.8 billion for recovery after Hurricanes Irma and María.
2020–2021	Dec 2019: 76%	Increases in the annual ceiling to $2.6 billion for 2020 and $2.7 billion for 2021. Conditioned allocations of $200 million for each year. Additional funds of $90 million for 2020 and $93 million for 2021 in response to the COVID-19 pandemic.
	Jan 2020–Sep 2021: 82.2%	
2022	82.2%	CMS' interpretation allotted $2.9 billion. Additional conditioned allocation of $200 million, valid January–December 2022.
2023–2027	Jan–Mar 2023: 82.2%	Five-year increase in the annual ceiling: • 2023: $3.275B • 2024: $3.325B • 2025: $3.475B • 2026: $3.645B • 2027: $3.825B. Conditioned allocations of $375 million for each year.
	Apr–Jun 2023: 81%	
	Jul–Sep 2023: 78.5%;	
	Oct–Dec 2023: 77.5%	
	Jan 2024–Sep 2027: 76%	

Sources: Mitchell, *Legislative History of Medicaid Financing for the Territories*; Consolidated Appropriations Act of 2023; Consolidated Appropriations Act of 2023.

Note: This table summarizes changes in the FMAP and the annual ceiling, as well as additional and conditioned allocations. For further detail on FMAP and annual-ceiling changes over time, see Appendices 1 and 2.

From 1966 to 2010

The limitations set by federal law created a recurring need to adjust the amount of funds allocated to Puerto Rico's Medicaid program. In 1966, when the Medicaid program was created, the federal government set Puerto Rico's FMAP at 55%.[12]

In 1968, Congress introduced an annual ceiling for the territories, set at $20 million for Puerto Rico, while reducing the FMAP to 50%.[13] The annual ceiling was raised multiple times through legislation between 1972 and 1994, reaching $116.5 million in that year.

Starting in 1994, Congress established that the ceiling would be adjusted annually for inflation, based on the increase in the medical care component of the Consumer Price Index.[14] Between 1998 and 2007, the U.S. Congress raised the ceiling several times, allocating additional amounts specified by law. By 2010, the ceiling stood at $364 million. The FMAP, by contrast, remained unchanged.

As a result, Puerto Rico, like the other territories, would generally exhaust the funds provided by the federal government before the end of each fiscal year.[15] Appendices 1 and 2 present, in detail, the changes in the FMAP and in the annual ceiling over the years, respectively.

From 2011 to the Present

In recent years, funding for Puerto Rico's Medicaid program has undergone more drastic, though temporary, increases — in response both to changes in federal public policy and to Hurricanes Irma and María and the COVID-19 pandemic. The Patient Protection and Affordable Care Act of 2011 (P.L. 111-148), hereafter the ACA, represented the largest change to the U.S. health care system in decades. For Medicaid in Puerto Rico, the law introduced a modest FMAP increase to 55% and an additional allocation of $5.5 billion over an eight-year period.[16] The law also allocated funds to the territories to establish health insurance marketplaces, with the option of directing them to Medicaid instead of creating a marketplace. Puerto Rico chose the latter option and received $925 million for its Medicaid program. Puerto Rico used the additional ACA funds faster than projected, which led to additional allocations in 2017.[17]

In response to the 2017 hurricanes, the U.S. Congress raised the FMAP for Puerto Rico to 100% and allocated close to $4.8 billion in additional funds. The FMAP was then set

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[12]Social Security Amendments of 1965; PL 89-97
[13]Social Security Amendments of 1967; PL 90-248
[14]Omnibus Budget Reconciliation Act of 1993; PL 103-66
[15]Mitchell, Legislative History of Medicaid Financing for the Territories.
[16]The prior FMAP was 50%. The additional funds were available between July 1, 2011 and September 30, 2019. Mitchell, Legislative History of Medicaid Financing for the Territories.
[17]Medicaid and CHIP Payment and Access Commission (MACPAC), Medicaid and CHIP in Puerto Rico (2021), https://www.macpac.gov/wp-content/uploads/2020/08/Medicaid-and-CHIP-in-Puerto-Rico.pdf.

at 76% between late 2019 and September 2020. However, in response to the COVID-19 pandemic, the federal government raised the FMAP for all states and territories by 6.2 percentage points, resulting in a total FMAP of 82.2% for Puerto Rico. This increase remained in effect until early 2023 and was phased down in stages toward the end of that year.

The FMAP has remained at 76% ever since, except for a brief period during a federal budget lapse when it reverted to 55%.[18] The level of federal funding, by contrast, has continued to increase through legislation, with allocations of $3.645 billion and $3.825 billion for 2026 and 2027, respectively (Figure 3).[19] These increases reflect both additional allocations on top of the annual ceiling (2011–2019) and statutory increases in the ceiling itself (2020–2027). It is worth noting that part of this funding was conditioned on specific requirements for the Government of Puerto Rico, such as implementing a minimum provider payment rate and designating an official to lead the program's integrity efforts.[20] Puerto Rico has met these conditions, as well as more recent requirements included in the Consolidated Appropriations Act of 2023.[21] In addition, federal legislation has on several occasions excluded certain categories of spending from the calculation of the annual ceiling, effectively increasing the funds available.[22]

[18]Baumrucker, Evelyne P. et al., Consolidated Appropriations Act, 2023 (P.L. 117-328): Medicaid and CHIP Provisions, no. R47821 (Congressional Research Service, 2023), https://www.congress.gov/crs-product/R47821.

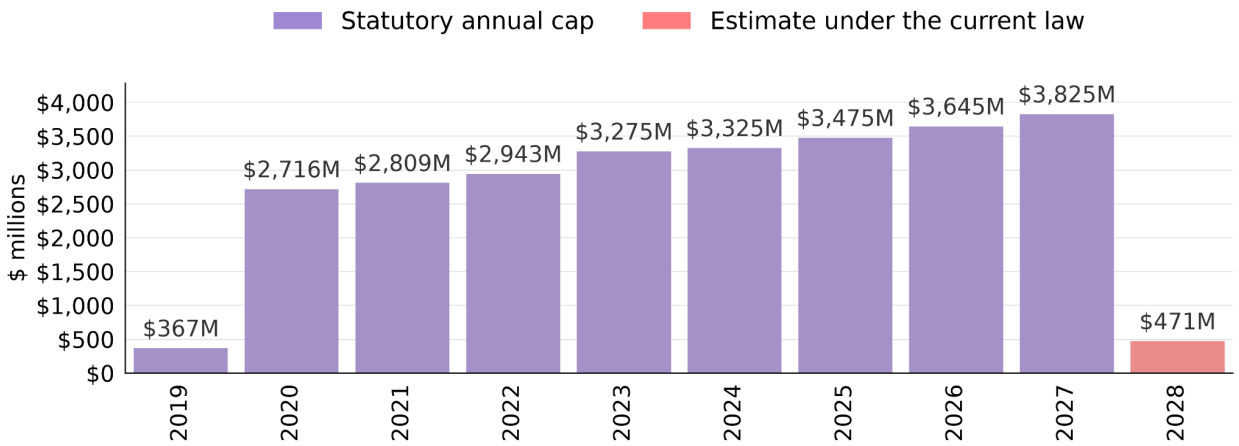
[19]Consolidated Appropriations Act of 2023

[20]For example, the Consolidated Appropriations Act of 2023 (P.L. 117-328) conditioned $300 million on raising the minimum provider payment rate to 75% of the Medicare Part B reimbursement rate, and $75 million on designating an official to lead the program's integrity efforts. The Consolidated Appropriations Act of 2023 also required implementing an asset-verification program before January 1, 2026. Failure to meet this requirement carried a penalty reflected in a reduction of the FMAP. This mechanism was also used in 2021, when states were required to implement an asset-verification program. Baumrucker, Evelyne P. et al., Consolidated Appropriations Act, 2023 (P.L. 117-328).

[21]Government of Puerto Rico, Department of Health, Puerto Rico Medicaid Program, 2025 Annual Report to Congress (Government of Puerto Rico, Department of Health, Puerto Rico Medicaid Program, 2025), https://docs.pr.gov/files/ASES/Sobre%20ASES/Informes%20al%20Congreso/2025/Annual%20Report%20to%20Congress%20Puerto%20Rico%202025.pdf, p. 13-14.

[22]For example, the Children's Health Insurance Program Reauthorization Act of 2009 excluded spending on the Medicaid Electronic Health Record Incentive Program, and on the design and operation of the claims and eligibility system, from the annual ceiling. PL 111-3

Figure 3: Annual ceiling for Medicaid in Puerto Rico (Section 1108(g) allotment), federal fiscal years 2019–2028 ($ millions)



Additional Factors Affecting Medicaid Funding in Puerto Rico

A Different Eligibility Criterion

The program's main eligibility criterion — beneficiaries' income level — is measured differently in Puerto Rico than in the states. In the states, the income threshold is defined by the federal poverty line. In Puerto Rico, however, the Medicaid program set a maximum income level lower than the federal poverty line, known as the Puerto Rico poverty line. Historically, this level has been substantially lower (less than half), which reduces the number of people eligible to participate in the program.[23] Over the years, the Government of Puerto Rico has expanded eligibility criteria to broaden the program's coverage, including an expansion to reach 100% of the federal line in 2023.[24]

Inequality in the Provision of Services

Because of funding limitations, Puerto Rico's Medicaid program does not offer all of the coverage areas required by CMS. Before July 2024, Medicaid offered 10 of the 17 services required by CMS.[25] Puerto Rico's program also offered 8 of the 13 optional services covered in the states. In July 2024, the PRDoH expanded coverage — using the increase in federal funding — to the required services of home care, transportation for non-emergency medical services, and durable medical equipment. The PRDoH also extended coverage to hospice care, an optional service.[26]

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[23]Center for a New Economy (CNE), Puerto Rico's Looming 2019 Medicaid Fiscal Cliff (Policy Paper) (2019), https://grupocne.org/wp-content/uploads/2019/09/FINAL-ENG-MEDICAID-REPORT.pdf, p. 6.; MACPAC, Medicaid and CHIP in Puerto Rico.
[24]CBPP, "Puerto Rico's Medicaid Program Needs an Ongoing Commitment of Federal Funds."; FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p. 63.
[25]FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p. 62.
[26]Government of Puerto Rico, Department of Health, Puerto Rico Medicaid Program, 2025 Annual Report to Congress, p.32.

Limitations of the Inflation Adjustment

In 1994, the U.S. Congress introduced an inflation adjustment for determining the annual ceiling allocated to Puerto Rico.[27] Under federal law, this adjustment is based on the increase in the medical care component of the Consumer Price Index for All Urban Consumers (CPI-U) over the 12 months ending in March before the start of the fiscal year.[28] However, the increase in Medicaid spending in Puerto Rico has been more pronounced than CPI-U growth: while the CPI-U rose by an average of 2.6% over the last 10 years, Medicaid spending in Puerto Rico grew by 5.7% between 2020 and 2023.[29] This spending is projected to keep growing by around 5% annually through 2053.

When Uncertainty Is the Constant

Uncertainty about the amount of federal funds allocated to Puerto Rico's Medicaid program has been a constant. Historically, funding has not been sufficient to meet Puerto Rico's needs. Although in recent years the Island has received a much larger federal contribution, that funding has been limited to short periods, with no guarantee that the level will hold in future years — preventing the Government of Puerto Rico from designing a sustainable Medicaid program that meets the population's needs.

Between 2018 and 2021, funding increased for one- or two-year stretches, each with a set expiration date. Had there been no legislative action, the funding level would have dropped, at the end of each period, to an FMAP of 55% and a ceiling of around $400 million. This risk nearly materialized in federal fiscal year 2022, when the additional funding provided in response to the 2017 hurricanes and the COVID-19 pandemic expired.

Despite a legislative effort to head off this looming crisis,[30] the funding level ended up being determined by the consumer-price-index formula. The Centers for Medicare and Medicaid Services (CMS), the federal agency responsible for the Medicaid program, issued an interpretation determining that Puerto Rico's ceiling would be calculated based on the level provided in fiscal year 2020, rather than the fiscal year 2019 level that the law then in effect actually called for.[31] CMS explained that using fiscal year 2019 would have produced an "absurd result" for Puerto Rico's funding, since the fiscal year 2020 level was $2.7 billion, while the fiscal year 2019 estimate was only $406.4 million.[32] In response, Congress directed the Government Accountability Office (GAO) to

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[27]Omnibus Budget Reconciliation Act of 1993 (PL103-66).
[28]The law also requires the amount to be rounded to the nearest $100,000. 42 U.S. Code § 1308(f)(1)
[29]FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p. 54; U.S. Bureau of Labor Statistics (BLS), Consumer Price Index for All Urban Consumers (CPI-U) [Series CUSR0000SAM], retrieved from https://data.bls.gov/ on August 12, 2026.
[30]Rep. Darren Soto, "H.R.4406 - 117th Congress (2021-2022): Supporting Medicaid in the U.S. Territories Act of 2021," legislation, July 21, 2021, 2021-07-13, https://www.congress.gov/bill/117th-congress/house-bill/4406.
[31]The Further Consolidated Appropriations Act of 2020 set FY 2019 as the base year.
[32]Daniel Tsai, Deputy Administrator and Director (CMS), September 24, 2021, https://www.medicaid.gov/allotment/downloads/ltr-to-med-agen-puerto-rico.pdf; Edda Emmanuelli Perez,

review the discrepancy. The GAO concluded that CMS' interpretation was mistaken and that the funds for that year had not been authorized.[33]

After the FMAP and the funding level were extended under several continuing resolutions, the federal budget for fiscal year 2023[34] included an increase in Puerto Rico's ceiling for the following five fiscal years.[35] This level was higher than in prior years. Under this law, the FMAP for the territories was permanently set at 83%, except for Puerto Rico, which was left at 76% on a temporary basis.

The sustainability of the program, and the provision of medical care to its beneficiaries, is conditioned on the lack of certainty about the level of federal funding available. Limits on federal allocations, the temporary nature of funding expansions, and the size of the swings between them all introduce high levels of uncertainty into the administration of the health care system — even as federal statute has driven up the level of Medicaid spending in Puerto Rico.

2027 Fiscal Cliff: A History That Repeats Itself

Once again, the future of federal Medicaid funding for Puerto Rico is uncertain. The amount of federal funds currently available is far larger than what Puerto Rico has received in the past, but it comes with an expiration date. Starting in federal fiscal year 2028, the amount allocated to the Island could fall by 90%, putting Puerto Rico's Medicaid program, local finances, and access to medical care for a large share of the population at risk.

Current funding, established by law in 2023,[36] expires on September 30, 2027. That legislation included explicit language establishing that, starting in fiscal year 2028, the annual ceiling would be calculated based on the estimated fiscal year 2019 level, adjusted by the medical care component of the Consumer Price Index.[37] Under this directive, the FMAP would revert to its base level of 55%, and we estimate that the annual ceiling would fall by close to 90%, to about $471 million.[38]

The additional funding provided in recent years was directed, to a large extent, at a series of program changes required by federal legislation and at the provision of

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General Counsel (GAO), "Department of Health and Human Services: Fiscal Year 2022 Medicaid Allotment for Puerto Rico," November 15, 2021, https://www.gao.gov/assets/b-333602.pdf.

[33]Edda Emmanuelli Perez, General Counsel (GAO), "Department of Health and Human Services: Fiscal Year 2022 Medicaid Allotment for Puerto Rico."

[34]Consolidated Appropriations Act of 2023

[35]PL 117-328

[36]Consolidated Appropriations Act of 2023

[37]Specifically, the law requires using the estimated increase in the medical care component of the Consumer Price Index for All Urban Consumers (CPI-U) for the twelve months ending in March before the start of the fiscal year, rounded to the nearest $100,000. 42 U.S. Code § 1308(f)(1)

[38]This estimate is based on CMS' most recent estimate, as cited in the GAO report. For fiscal year 2019, the funding level would have been $406.4 million had Congress not allocated additional funds to Puerto Rico. This estimate was adjusted using the CPI-U. U.S. Bureau of Labor Statistics (BLS), Consumer Price Index for All Urban Consumers (CPI-U) [Series CUSR0000SAM], retrieved from https://data.bls.gov/ on August 12, 2026.

mandatory benefits from which Puerto Rico had previously been exempt. Specifically, the 2020 and 2023 budgets[39] required that payments to health care providers be raised to a minimum of 70% and 75%, respectively, of the Medicare Part B reimbursement rate.[40] In addition, the PRDoH extended coverage to services such as home care and durable medical equipment, discussed further below.

If Congress does not adopt new legislation to maintain or increase the funding level, the Government of Puerto Rico will face a critical scenario.

For fiscal year 2027, the consolidated budget for the health area in Puerto Rico totals $7.474 billion, of which 66.1% comes from federal funds. The budgets of the PRDoH and PRHIA together represent close to two-thirds of this budget.

At PRHIA, federal allocations total $4.183 billion (76.8%) and mostly correspond to Medicaid funds. At the PRDoH ($690 million), federal allocations represent 49.6% of the budget.

Puerto Rico's allocations to PRHIA and the PRDoH, charged to the General Fund, are about $1.030 billion and $514 million, respectively, for local fiscal year 2027, while these agencies also receive $230 million and $186 million in special funds. As a reference, the General Fund allocations for these two agencies represent 11.7% of the General Fund.[41]

Sensitivity Analysis

A sensitivity analysis is an analytical technique that allows us to assess the impact of certain independent variables on a dependent variable, within a given set of assumptions and parameters. In other words, it lets us understand how sensitive one variable is to the effects of another variable over which we have no control. We use this analysis to understand the possible effect on Puerto Rico's budget of a change in the level of federal funding, assuming Medicaid spending on the Island keeps rising at a pace similar to prior years.

For this exercise, we evaluate several federal Medicaid funding scenarios and their impact on Puerto Rico's budget. We estimate both the annual ceiling and Medicaid spending in Puerto Rico in order to calculate the possible fiscal impact of each scenario on the Island's budget. Below are the estimates for the following scenarios:

- **Scenario 1:** FMAP of 55% and an annual ceiling calculated from the federal fiscal year 2019 level.
- **Scenario 2:** FMAP of 76% and an annual ceiling calculated from the federal fiscal year 2027 level.

[39]Further Consolidated Appropriations Act of 2020 and Consolidated Appropriations Act of 2023
[40]Government of Puerto Rico, Department of Health, Puerto Rico Medicaid Program, 2025 Annual Report to Congress, p.7.
[41]The PRHIA and the PRDoH budgets are used as a proxy for Medicaid spending. These budgets include other federal programs, such as CHIP.

- **Scenario 3:** FMAP at the statutory maximum of 83%, with an allocation of $4.415 billion for federal fiscal year 2028.

Estimates of the Annual Ceiling

In **Scenario 1**, the annual ceiling would revert to the base level CMS estimated at $406 million for fiscal year 2022. Federal law requires that this amount be adjusted by the medical care component of the Consumer Price Index.[42] We applied the observed increase in that index to the annual-ceiling estimate for 2023, 2024, 2025, and 2026. The estimate for federal fiscal year 2028 depends on the index value for March 2027, which does not yet exist, so we used the index's average growth over the last 10 years — 2.6%. This produces an estimate for federal fiscal year 2028 of $471 million (Table 3).

Table 3. FMAP and annual ceiling for each scenario

	Scenario 1	Scenario 2	Scenario 3
FMAP (%)	55%	76%	83%
Annual ceiling ($ millions)	$471	$3,924	$4,415

Sources: Consolidated Appropriations Act of 2023 (PL 115–123); Edda Emmanuelli Perez, General Counsel (GAO), "Department of Health and Human Services: Fiscal Year 2022 Medicaid Allotment for Puerto Rico"; BLS, CPI-U [Series CUSR0000SAM], retrieved from https://data.bls.gov/ on September 1, 2026; *AAFAF*, "Jenniffer González Pedirá Aumentar En 5% Las Asignaciones de Medicaid y Elevar a 83% El Pareo Federal Por Servicios."

In **Scenario 2**, the annual ceiling reflects an increase relative to the fiscal year 2027 funding level. For that year, the federal funding level set by law is about $3.825 billion, not including the additional funding conditioned on adjusting the minimum provider reimbursement rate and on designating a Medicaid program integrity official.[43] We applied the increase in the medical care Consumer Price Index over the last decade — an average of 2.6% — arriving at an estimated total of $3.924 billion.

In **Scenario 3**, the annual ceiling reflects an increase in the federal allocation to $4.415 billion. This increase equals 83% of estimated Medicaid spending for fiscal year 2028 (holding the same level of coverage and services), and is similar to a request reportedly made by the Government of Puerto Rico to the U.S. Congress.

In February 2026, the Governor signed Executive Order 2026-006, creating the *Grupo de Trabajo Multisectorial para Garantizar el Financiamiento Justo e Igualitario de los Programas Federales de Salud* (Multisectoral Task Force to Guarantee Fair and Equal Funding for Federal Health Programs).[44] This multisectoral group agreed to lobby for

[42]BLS, CPI-U [Series CUSR0000SAM], retrieved from https://data.bls.gov/ on September 1, 2026.
[43]The law establishes that these additional funds are not part of the annual ceiling. Baumrucker, Evelyne P. et al., Consolidated Appropriations Act, 2023 (P.L. 117-328).
[44]Orden Ejecutiva de La Gobernadora de Puerto Rico, Hon. Jenniffer González Colón, Para Crear El Grupo de Trabajo Multisectorial Para Garantizar El Financiamiento Justo e Igualitario de Los Programas

raising the FMAP to 83% and eliminating the annual ceiling. However, one of the Government of Puerto Rico's proposals, according to reports, includes requesting a minimum allocation of $4.415 billion, with 5% annual increases.[45]

Estimates of Medicaid Spending in Puerto Rico

For all scenarios, we estimate the level of Medicaid spending in Puerto Rico from historical data, assuming health spending keeps rising and faces no cuts. We start from the federal funding level in effect for federal fiscal year 2027, which totals $3.825 billion. Given that the current FMAP is 76%, we use that ratio to estimate total Medicaid spending at about $5.033 billion ($3.825 billion divided by 76%) for federal fiscal year 2027.[46] From there, we assume a 5.7% increase in Medicaid spending in Puerto Rico between 2027 and 2028. This increase is based on the Medicaid inflation index for Puerto Rico presented in the 2024 Fiscal Plan.[47] That index exceeds the increase in the medical care Consumer Price Index. Using these assumptions, we estimate Medicaid spending in Puerto Rico for 2028 at $5.320 billion. This calculation is based solely on the federal allocation and does not include other, separately funded programs.[48]

Results

Scenario 1 presents the most burdensome outcome for Puerto Rico, and is the likely result absent federal legislative action. This scenario evaluates a reduction of the FMAP from 76% to 55% and of the annual ceiling from $3.825 billion to $471 million for federal fiscal year 2028. Under this scenario, if total Medicaid spending holds at the level of recent years, the local contribution would be $4.849 billion. As a reference, this level of local spending is equivalent to 35.4% of the General Fund, as estimated for fiscal year

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Federales de Salud y Derogar El Boletín Administrativo Núm. OE-2021-025. (2026), https://docs.pr.gov/files/Estado/OrdenesEjecutivas/2026/OE-2026-006.pdf.

[45]Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), "Jenniffer González Pedirá Aumentar En 5% Las Asignaciones de Medicaid y Elevar a 83% El Pareo Federal Por Servicios," AAFAF in the News, May 19, 2026, https://www.aafaf.pr.gov/aafafinthenews/jenniffer-gonzalez-pedira-aumentar-en-5-las-asignaciones-de-medicaid-y-elevar-a-83-el-pareo-federal-por-servicios; Lebrón, Joaquín, Sector de salud alinea esfuerzos para abogar por continuidad de fondos de salud, Noticias, May 20, 2026, https://www.metro.pr/noticias/2026/05/20/sector-de-salud-alinea-esfuerzos-para-abogar-por-continuidad-de-fondos-de-salud/; Acevedo, Marielis, "MMAPA sienta las bases para legislación en el Congreso que atienda 'abismo fiscal' de Medicaid en Puerto Rico," Política, El Diario NY, July 7, 2026, https://eldiariony.com/2026/07/07/mmapa-sienta-las-bases-para-legislacion-en-el-congreso-que-atienda-abismo-fiscal-de-medicaid-en-puerto-rico/.

[46]$3.825 billion / 0.76 = $5.033 billion. This represents a lower bound based on the annual ceiling on federal funding, assuming Puerto Rico's spending does not exceed 24% of the total.

[47]The 2024 Fiscal Plan indicates that the Medicaid inflation index for Puerto Rico averaged 5.7% between fiscal years 2020 and 2023. The Fiscal Plan's projections indicate that this index will continue growing at a rate close to 4.8% in fiscal year 2053. Financial Oversight and Management Board for Puerto Rico (FOMB), "Revised 2024 Fiscal Plan for Puerto Rico: Restoring Growth and Prosperity," June 6, 2025, https://drive.google.com/file/d/1S9UNeV9qN1jIFcTlKMJbnr2Q6vjrW2FO/view, p. 54.

[48]This estimate matches the one included in the 2024 Fiscal Plan. FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p. 64.

2028.[49] Furthermore, absent the annual ceiling, the federal contribution expected under the FMAP alone would total $2.926 billion ($5.320 billion multiplied by 55%). The annual ceiling therefore creates a federal funding gap of $2.455 billion ($2.926 billion minus $471 million). Figure 4 summarizes the estimated local and federal contributions for this and the other scenarios, while Table 4 presents the impact as a share of the General Fund.

Figure 4: Estimated federal and local contribution by scenario, federal fiscal year 2028, ($ millions)

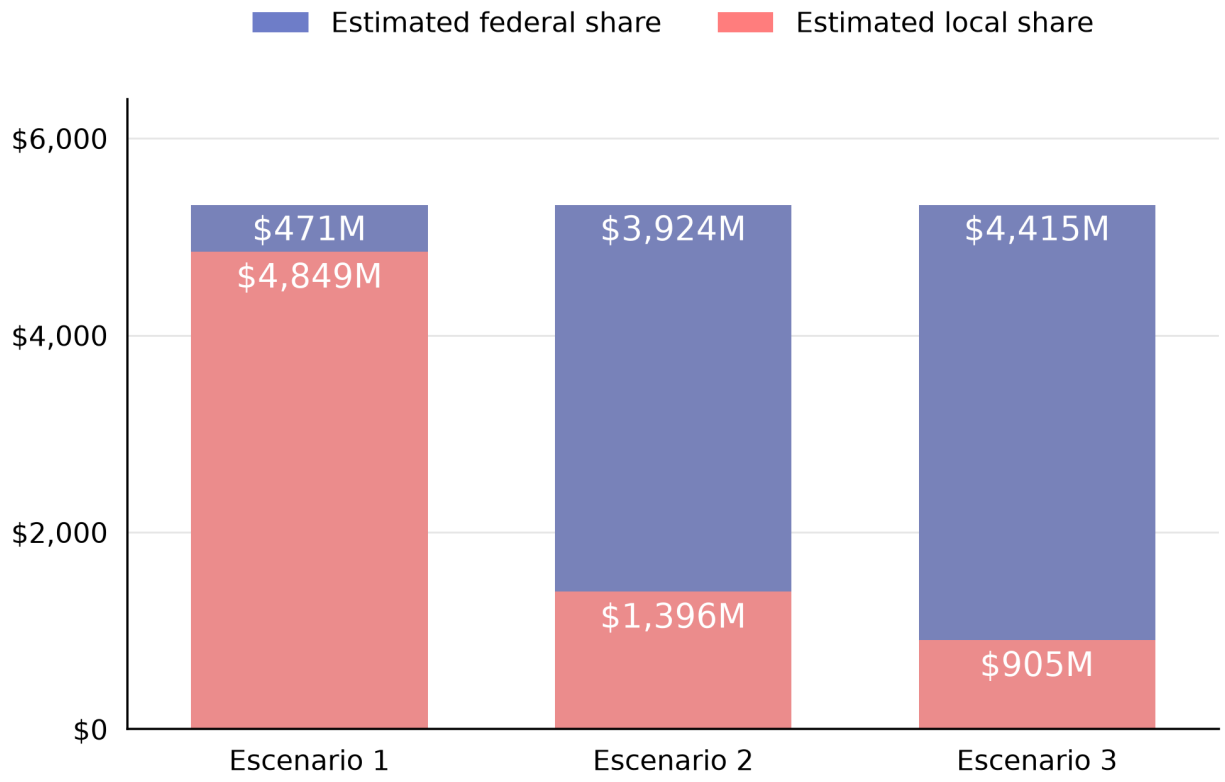

Table 4. Estimated impact as a share of the General Fund

	Scenario 1	Scenario 2	Scenario 3
Local contribution ($ millions)	$4,849	$1,396	$905
Share of General Fund (%)	35.4%	10.2%	6.6%

Scenario 2 represents a continuation of federal funding, adjusted for inflation but not for the observed increase in Medicaid spending in Puerto Rico. This estimate adjusts the

[49]The 2024 Fiscal Plan projects total General Fund revenue at $13.707 billion. FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p.48.

annual ceiling using the medical care Consumer Price Index, which rose 2.6% over the last 10 years. However, the increase in Medicaid spending in Puerto Rico has been more pronounced — estimated at 5.7% between 2020 and 2023, and projected to continue at around 5% annually through 2053.[50] This scenario yields a federal allocation of $3.924 billion and a local contribution of $1.396 billion ($5.320 billion minus $3.924 billion). As a reference, this level of local spending equals 10.2% of the General Fund. Again, the federal contribution expected under the FMAP alone exceeds the annual ceiling — about $4.043 billion ($5.320 billion multiplied by 76%) — producing a federal funding gap of $119 million due to the ceiling ($4.043 billion minus $3.924 billion). This gap would widen if Medicaid spending in Puerto Rico keeps growing faster than the price index.

Scenario 3 contemplates a more favorable fiscal situation for Puerto Rico, similar to what the Government of Puerto Rico reportedly requested. It contemplates raising the FMAP to the statutory maximum of 83% — matching the rate already in effect for the rest of the territories — with a federal funding level of $4.415 billion in federal fiscal year 2028. The result is that the federal contribution equals 83% of estimated spending, eliminating the federal funding gap caused by the annual ceiling. Under this scenario, Puerto Rico's contribution would fall to about $905 million ($5.320 billion minus $4.415 billion), equivalent to 6.6% of the General Fund. This funding scenario, although different from the current reality set by federal statute, would represent a less burdensome outlook for Puerto Rico, and one closer to parity between the archipelago and the states. The U.S. Department of Health and Human Services estimated that if Puerto Rico's FMAP were based on the formula used for the states, the Island would receive the maximum contribution of 83% — although the actual percentage, outside statutory limits, would be closer to 93.3%.[51]

Loss of Federal Funding: More Than an Opportunity Cost

A reduction in federal Medicaid contributions of the magnitude anticipated if the U.S. Congress fails to act would have catastrophic repercussions for Puerto Rico, affecting the entire population — particularly the most vulnerable, who depend on the program for their medical care. Faced with a Medicaid fiscal cliff, the Government of Puerto Rico would have very few options: maintaining the same level of Medicaid coverage would come at the expense of other areas, such as education or the justice system, while reducing coverage would be harmful to beneficiaries' health.

Assuming health spending on the Island holds steady, the Government of Puerto Rico would be responsible for covering the funding gap needed to keep providing Medicaid services. This would carry fiscal implications and could lead to a range of public policy decisions, such as cutting or eliminating certain General Fund budget line items, reducing Medicaid coverage or services, or drawing on emergency funds. For example, under the first scenario, Puerto Rico's contribution to cover the drop in the federal

[50]FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p. 54.
[51]U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Evidence Indicates a Range of Challenges for Puerto Rico Health Care System," January 12, 2017, https://aspe.hhs.gov/sites/default/files/private/pdf/255466/PuertoRico_Assessment.pdf, p. 13.

contribution would be $4.849 billion, based on estimated Medicaid spending at the current level. This total is equivalent to the combined General Fund budgets of several Puerto Rico government agencies, including the *Departamento de Educación* (Department of Education) ($2.981 billion), the University of Puerto Rico ($501 million), the *Departamento de Corrección y Rehabilitación* (Department of Correction and Rehabilitation) ($461 million), the *Tribunal General de Justicia* (General Court of Justice) ($402 million), the *Administración de Familias y Niños* (Administration for Families and Children) ($224 million), the *Departamento de Hacienda* (Department of Treasury) ($203 million), and the *Departamento de Justicia* (Department of Justice) ($154 million).[52] Excluding the largest of these allocations, Medicaid spending is equivalent to the combined budgets of more than 50 Puerto Rico government agencies.[53]

The level of coverage under Puerto Rico's Medicaid program could also be affected by reductions in the services offered, higher costs for beneficiaries, or cuts in provider payments. As noted earlier, the Medicaid Program in Puerto Rico does not offer all of the coverage areas required by CMS, because of funding limitations. The PRDoH estimates that the cost of providing home care, transportation for non-emergency medical services, durable medical equipment, and hospice services (added in July 2024) will exceed $500 million in future years. This puts the program's financial stability at risk, particularly under a scenario in which the federal contribution is reduced.[54]

Furthermore, the number of Medicaid beneficiaries could be affected by a reduction in the level of federal funding. Historically, the poverty line set for the program in Puerto Rico has been lower than the federal poverty line, reducing the number of eligible beneficiaries. The Financial Oversight and Management Board for Puerto Rico (FOMB) estimated that the cost of the 2023 expansion of the eligibility criterion — which achieved parity with the federal poverty line — is $29 million annually. According to reports, the loss of funding could affect coverage for between 700,000 and 1 million beneficiaries.[55]

In addition, a reduction in federal Medicaid funding would have fiscal repercussions for municipalities. Act No. 72 of 1993 created the current health care system and required municipalities to make an annual contribution to help fund the health program, which totals $164 million annually according to the FOMB.[56] Given the increase in the federal Medicaid contribution to Puerto Rico, the Government of Puerto Rico and the FOMB agreed to reduce the municipal contribution starting in 2018 — but that agreement

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[52]This excludes allocations under the custody of Hacienda and OGP. Espacios Abiertos. Observatorio Fiscal. https://www.observatoriofiscalpr.com/chart/presupuesto-sabana/.
[53]Espacios Abiertos. Observatorio Fiscal. https://www.observatoriofiscalpr.com/chart/presupuesto-sabana/.
[54]Government of Puerto Rico, Department of Health, Puerto Rico Medicaid Program, 2025 Annual Report to Congress, p.8.
[55]Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), "Advierten 'Precipicio Fiscal' Ante Posible Pérdida de Fondos Medicaid," AAFAF in the News, May 20, 2026, https://www.aafaf.pr.gov/aafafinthenews/advierten-precipicio-fiscal-ante-posible-perdida-de-fondos-medicaid.
[56]FOMB, "Revised 2024 Fiscal Plan for Puerto Rico.", p. 52.

applies only to years in which the FMAP is above 55%. As a result, municipal budgets would be affected by a drop in the level of federal funding.

Findings

The findings presented below summarize what this analysis reveals about the state of Medicaid funding in Puerto Rico: an essential program for the Island's health, subject to funding rules that no state faces. Although the figures and fiscal scenarios presented in the previous sections are necessarily technical, what is at stake is not: the medical coverage of nearly 1.3 million people, many of them children, older adults, and people with chronic conditions. The findings below present the study's central conclusions and inform the recommendations presented further on.

- **Medicaid is the backbone of Puerto Rico's health care system and the main source of medical coverage for its most vulnerable populations.** Nearly 4 out of every 10 Puerto Ricans — 1.3 million people — depend on the program, and more than half are under age 20 or over age 61. It is also an important source of revenue for service providers, including community health centers.
- **Funding limitations have left Puerto Rico with a Medicaid program that is incomplete relative to the states.** Even at current funding levels, the program does not reach the level of services that beneficiaries in the states receive and that are required by CMS. The PRDoH estimates that the most recent expansions (home care, medical transportation, durable medical equipment, and hospice) will cost more than $500 million going forward — an amount greater than the possible annual ceiling for federal fiscal year 2028 absent legislative action. The funding gap is not just a future risk: it limits, right now, what the program can offer the population.
- **Medicaid funding in Puerto Rico is subject to significant disparities compared with the states and the rest of the territories.** While the states receive an FMAP of between 50% and 83% annually with no ceiling, Puerto Rico operates under a fixed FMAP and an annual ceiling that has reduced the effective FMAP to as low as 15%–20% in some years. In 2023, Congress raised the FMAP to 83% permanently for the rest of the territories, but left Puerto Rico at 76% on a temporary basis.
- **Federal Medicaid funding for Puerto Rico has depended on temporary extensions rather than a permanent solution, and that pattern is about to repeat itself.** Between 2018 and 2027, a series of ceiling increases and additional allocations produced a substantially higher level of funding than in prior years. The current agreement expires on September 30, 2027, and if Congress does not act, the annual ceiling would fall by close to 90% — from $3.825 billion to $471 million — while the FMAP would revert from 76% to 55%.
- **Absent a permanent solution on par with the states, the gap in Medicaid funding for Puerto Rico will keep growing no matter how long the current level is extended.** This gap combines federal public policy decisions, an annual

ceiling that grows more slowly than the program's actual spending (a ceiling adjustment of 2.6% on average over the last 10 years, versus Medicaid spending in Puerto Rico that grew 5.7% between 2020 and 2023), and constant uncertainty about the level of funding available. Even if Congress extended current funding adjusted for inflation, Medicaid spending would keep outpacing that adjustment, widening the gap year after year.

- **Without legislative action, the Government of Puerto Rico would have to cover billions of dollars in local funds to maintain the current level of coverage.** In the most burdensome scenario, the local contribution would total $4.849 billion, equivalent to 35.4% of the General Fund — a figure comparable to the combined budgets of agencies such as the *Departamento de Educación*, the University of Puerto Rico, the *Departamento de Corrección y Rehabilitación*, the *Tribunal General de Justicia*, the *Administración de Familias y Niños*, the *Departamento de Hacienda*, and the *Departamento de Justicia*.
- **A reduction in federal funding would put the medical coverage of hundreds of thousands of Puerto Ricans at risk and would affect municipal finances.** According to reports, the loss of funding could affect coverage for between 700,000 and 1 million beneficiaries. Municipal budgets would also be affected if the FMAP falls below 55%.

Recommendations

The findings of this analysis point to three conclusions that guide the recommendations. First, the annual ceiling weighs more heavily than the FMAP: in Scenario 1, the ceiling alone adds a larger federal funding gap than the loss that would result from an FMAP reduction with no statutory ceiling in place. Second, simply extending current funding adjusted for inflation does not solve the problem, because Medicaid spending in Puerto Rico grows by about 5.7% annually, compared with the 2.6% price-index adjustment required by federal statute (Scenario 2). Third, as long as the ceiling exists, every dollar spent above the federal contribution must be financed entirely with local funds, which constrains every decision about the program on the Island. The recommendations below are organized by recipient and in order of priority, with an eye on the legislative calendar, since current funding expires on September 30, 2027.

To the U.S. Congress

1. Eliminate the annual ceiling and set Puerto Rico's FMAP using the formula applicable to the states. Under that formula, Puerto Rico would receive the statutory maximum of 83%, with no annual ceiling. This funding level would provide certainty about federal allocations and would allow the Government of Puerto Rico to plan and build a stable program similar to those of the states. Specifically, the program could provide the CMS-required services it currently does not offer, and it would guarantee permanent coverage for all beneficiaries eligible under the federal poverty line. If the U.S. Congress fails to act, the medical and fiscal impact of a loss of funding for Puerto Rico would be catastrophic.

2. If a new temporary extension is approved instead of parity, it should include four main elements. (a) A minimum term of five years, so the Government of Puerto Rico can plan for the fiscal impact of changes in the funding level — including through the Financial Oversight and Management Board's (FOMB's) Fiscal Plan, which covers five-year terms; (b) a ceiling indexed to the observed growth in Medicaid spending in Puerto Rico, rather than to the Consumer Price Index, which has grown at less than half the pace of spending; (c) amending the federal law that requires the fiscal year 2028 funding level to be based on the fiscal year 2019 allocation[57], so that, absent action by Congress, the funding level is instead adjusted based on the prior fiscal year starting in 2027; and (d) funding for any new condition imposed on the program, as occurred under the Consolidated Appropriations Act of 2023, among others. These criteria could give the funding level more continuity and tie it more closely to the realities of the program on the Island.

To the Government of Puerto Rico, PRHIA, and the PRDoH

3. Adopt and publish, before the fiscal year 2028 budget cycle, a contingency plan for a reduction in federal funding. The plan should establish in advance — with public input — how benefits, eligibility criteria, and provider payments would be adjusted under a fiscal-cliff scenario, including the effect on municipalities. Defining these rules before the crisis, rather than during it, allows any adjustments to be transparent and deliberate.

4. Publish the program's financial information on a recurring, centralized basis, together with coverage and quality indicators and targets, and tie it to the budget process. Relevant information includes: spending by line item, cost per beneficiary, rates paid to insurers, the medical loss ratio, denial rates by insurer, provider payments by specialty (including the share of Medicare rates), and quarterly use of the federal allocation relative to the annual ceiling. The quarterly reports that the FOMB required from PRHIA and the *Oficina de Gerencia y Presupuesto* (Office of Management and Budget, *OGP*) in May 2026 should also be made public.[58] Coverage and quality indicators tied to the fiscal situation and focused on the population's health care priorities should be included as well. Much of this information already exists in reports to CMS and the U.S. Congress, but publishing it centrally and recurrently, as part of the budget cycle, would improve the program's transparency.

5. Estimate the cost of funding parity using the eligibility criteria and coverage requirements that apply in the states. The expansion of Medicaid eligibility criteria to reach the coverage level the program would have under the federal poverty line had an estimated cost of $29 million, and the PRDoH estimates the cost of providing home care, transportation for non-emergency medical services, durable medical equipment, and hospice services at $500 million. The Government should quantify and publish the cost of transitioning to the formula used for the states and of fully implementing Puerto

[57]42 U.S. Code § 1308(g)(11)(G)
[58]Robert Mujica, Executive Director, Financial Oversight and Management Board for Puerto Rico, "Re: Release of 5.0% Budgetary Reserve FY 2026," May 29, 2026, https://drive.google.com/file/d/1-d65XZNavdNMr9rQvTIXu1eXgeOfRaHH/view?usp=sharing.

Rico's Medicaid program, and should incorporate this figure into its request to the U.S. Congress.

Conclusion

The limitations of federal funding for Puerto Rico's Medicaid program are not an isolated situation. Over the years, the federal government has extended social welfare programs to Puerto Rico — such as Medicaid or nutrition assistance programs — through mechanisms that produce disparities in allocations compared with the states.[59] In practice, Medicaid in Puerto Rico operates as a block grant: Congress predetermines the maximum amount of federal funds available, and that allocation does not respond to the population's actual needs.

In Puerto Rico, 39.9% of the population depends on Medicaid for medical care — the vast majority of them under age 20 or over age 61, two highly vulnerable populations. A large share of beneficiaries also live with chronic conditions, some of which are more prevalent in this group than in the states. Yet the medical care of Medicaid beneficiaries is shaped by the limitations, instability, and uncertainty of federal funding.

Over the years, federal funds have repeatedly run out before the close of the federal fiscal year, prompting the U.S. Congress to expand the allocations directed to the Island. These federal allocations have not been tied to Puerto Rico's actual circumstances; rather, they reflect federal public policy decisions that result in unequal treatment for the Island. Specifically, the combination of a low FMAP for a population with high poverty rates and the annual ceiling (the Section 1108(g) allotment), which effectively lowers the FMAP further, produces an allocation that is both insufficient and inflexible. In addition, the growth in Medicaid spending on the Island exceeds the growth of the price index used, under federal law, to adjust the ceiling — which effectively drives a further reduction in the level of federal funding. As a result, the U.S. Congress has repeatedly expanded the federal contribution over the years, with substantial but temporary allocations in recent years.

These temporary expansions — meant to offset the program's structural limitations without offering a long-term solution — have deepened uncertainty about the program's funding in Puerto Rico. Federal fiscal year 2028, which begins October 1, 2027, presents yet another moment when federal allocations could drop sharply: without action by the U.S. Congress, the funding level would fall by close to 90%, to an estimated $471 million. Combined with estimated Medicaid spending of $5.320 billion, this reduction would create a catastrophic situation for Puerto Rico, with possible fiscal implications and public policy decisions harmful to the Island's population. Any solution to this looming fiscal cliff that is not permanent, and not tied to Puerto Rico's medical and fiscal realities, puts at risk the program's effectiveness, the Island's fiscal stability, and — more important still — the health of its beneficiaries.

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[59]Espacios Abiertos, "El Trato Desigual En La Asignación de Fondos Federales Para Puerto Rico Es Político," August 21, 2026, https://espaciosabiertos.org/el-trato-desigual-en-la-asignacion-de-fondos-federales-para-puerto-rico-es-politica/.

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Appendices

Appendix 1: Timeline of the FMAP for Puerto Rico

Federal fiscal year	FMAP
1966–1967	55%
1968–2010	50%
2011	Oct 2010–Jun 2011: 50%; Jul 2011–Sep 2011: 55%
2012–2018	55%
2018–2019[a]	100%
2019–2023[c]	Dec 2019: 76%; Jan 2020–Mar 2023: 82.2%[b]; Apr–Jun 2023: 81%; Jul–Sep 2023: 78.5%; Oct–Dec 2023: 77.5%
2024–2027	76%

Sources: Mitchell, Legislative History of Medicaid Financing for the Territories; Financial Oversight and Management Board for Puerto Rico (2025, June 6). "Revised 2024 Fiscal Plan for Puerto Rico."; Bipartisan Budget Act of 2018 (PL 115–123); Continuing Appropriations Act, 2020, and Health Extenders Act of 2019 (PL 116-59).

Notes:

[a] The Bipartisan Budget Act of 2018 raised the FMAP to 100% from January 2018 to mid-December 2019, in response to Hurricanes Irma and María. The Continuing Appropriations Act, 2020, and Health Extenders Act of 2019 extended this level through December 2019.

[b] Except for the period between December 4 and 30, 2021.

[c] The 76% FMAP established under the Further Consolidated Appropriations Act of 2020 was increased by 6.2 percentage points between January 2020 and March 2023 under the Families First Coronavirus Response Act. Starting in April 2023, it was phased down in stages.

Appendix 2: Timeline of the Annual Ceiling (Section 1108(g) Allotment) for Puerto Rico

Federal fiscal year	Annual ceiling (Section 1108(g) allotment) ($)[a]
1968–1971	20,000,000
1972–1981	30,000,000
1982	45,000,000
1983	45,000,000
1984–1987	63,400,000
1988	73,400,000
1989	76,200,000
1990–1993	79,000,000
1994	116,500,000
1995	122,200,000
1996	128,100,000
1997	133,000,000
1998	167,000,000
1999	171,500,000
2000	177,500,000
2001	184,400,000
2002	192,900,000
2003[b]	207,341,000
2004	219,397,000
2005	219,600,000
2006	241,000,000
2007	250,400,000
2008	260,400,000
2009[c]	354,120,000
2010	364,000,000
2011	355,985,000

Federal fiscal year	Annual ceiling (Section 1108(g) allotment) ($)[a]
2012	298,700,000
2013	309,200,000
2014	321,300,000
2015	329,000,000
2016	335,300,000
2017	347,400,000
2018	359,200,000
2019	366,700,000
2020	2,716,188,000
2021	2,809,063,000
2022[d]	2,943,000,000
2023[e]	3,275,000,000
2024[e]	3,325,000,000
2025[e]	3,475,000,000
2026[e]	3,645,000,000
2027[e]	3,825,000,000

Sources: Mitchell, Legislative History of Medicaid Financing for the Territories; Consolidated Appropriations Act of 2023.

Notes:

[a] Figures in the table reflect the annual ceiling (Section 1108(g) allotment), excluding additional funds included under federal laws such as the Patient Protection and Affordable Care Act of 2011, the Consolidated Appropriations Act of 2017, the Bipartisan Budget Act of 2018, the Further Consolidated Appropriations Act of 2020, and the Families First Coronavirus Response Act, as well as conditioned funds included under the Further Consolidated Appropriations Act of 2020 and the Consolidated Appropriations Act of 2022.

[b] Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (PL 108-27), the ceiling was increased by 5.9% between the third quarter of fiscal year 2003 and the third quarter of fiscal year 2004.

[c] Under the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), the territories had the option to choose between a 6.2% FMAP increase combined with a 15% increase in the annual ceiling, or a 30% increase in the annual ceiling. Puerto Rico, along with the other territories, chose the 30% ceiling increase.

[d] The funding level for fiscal year 2022 was determined by CMS. The GAO determined that these funds had not been authorized by Congress.

[e] Under the Consolidated Appropriations Act of 2023, the annual ceiling increased substantially between fiscal years 2023 and 2027.

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