Investing in Health: A New Tool to Improve Health Outcomes in Puerto Rico
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The rule is that numbers never lie. They usually tell the story for us. With all the media and dozens of experts saying there is a health crisis in Puerto Rico, we have decided to analyze the staffing problems, physician losses, critical economic and financial problems affecting the health sector”.

Francisco Rodríguez-Castro
President & CEO
Section 2: Economic and Demographic Changes
The pace of economic activity shifted from a contraction of -12.8% in June 2020 to a growth of 1.7% in July 2022, and following Hurricane Fiona to -0.8%.
Unemployment is at a near-all-time low of 6.20%,
Demographic Changes

Since 2012 Puerto Rico has lost 14.38% or -522,941 residents

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
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<tbody>
<tr>
<td>2000</td>
<td>3,908,610</td>
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<tr>
<td>2010</td>
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<td>2020</td>
<td>3,111,847</td>
</tr>
<tr>
<td>2022</td>
<td>3,193,694</td>
</tr>
</tbody>
</table>
Demographic Changes

The median household income disparity creates two different Puerto Ricos. West of the red imaginary line is a very different Puerto Rico from the eastern side.
Section 3: The U.S. Congress discrimination in Healthcare funding
The Medicare FFS program data that Congress considered a standard for the ACA MA payment formula does not work in Puerto Rico. The resulting anomaly is that Puerto Rico's average M.A. is as follows:

- **43% of payments below the U.S. average:** Puerto Rico's Medicare Advantage benchmark is now 43% below the U.S. average.
- **38% of payments below the lowest State (H.I.) standard.**
- **26% of payments below the U.S. Virgin Islands (just 9 miles from Puerto Rico).**
- **In Puerto Rico this program has faced reductions of more than 20% since 2011 compared to U.S. rates, while the U.S. average has increased by 4% over the same period.**

This disparity with U.S. rates is one of the causes of the healthcare ecosystem's financial challenges, in addition to the accelerated migration to the U.S. of all types of healthcare ecosystem professionals.
The U.S. Congress discrimination in Healthcare funding

This disparity with U.S. rates is one of the causes of the healthcare ecosystem's financial challenges, in addition to the accelerated migration to the U.S. of all healthcare ecosystem professionals.
This is what the U.S. Congress discrimination Looks Like:

- That amounts to $300 Billion in a decade
- What the healthcare sector would look like today with such an infusion of capital?
This is what the U.S. Congress discrimination Looks Like:

- How many lives could we have saved?
- How many transplants?
- How many cancer treatments?
- How much healthier would our lives would be?

The Cost of Congress' Discrimination of Puerto Rico Hospitals is $9.86 billion yearly.
Section 4: 18 Factors affecting hospitals, medical facilities, and the ecosystem
1. One of the biggest problems in Puerto Rico is that the most significant percentage of health spending arises because people do not take care of their health conditions on time. When they go to the health centers, their conditions are so critical that the cost of treating them is in the millions. For example, 2% to 3% of patients consume 80% of medical budgets.

2. There is a need to focus attention on chronic diseases: diabetes is the most expensive condition in Puerto Rico due to genetic and dietary reasons.

3. Lack of funds to carry out a Holistic Healthcare Model restructuring of the entire system: it is critical to create a holistic model of preventive healthcare: where the population is educated to take care of their health in a proactive way and with constant monitoring to learn how to stay healthy at all stages of their lives.

4. In Puerto Rico, there backlog in creating a Health Information Exchange System. Therefore, data is limited, and resources are scarce. For example, there are too many doctors in certain areas and not enough in others, such as endocrinologists. Another case is psychiatrists who are concentrated in urban areas, and a great vacuum is created in the island’s towns and rural areas.
5. **Shortage of physicians wreaks havoc:** According to figures from the Puerto Rico College of Surgeons, in ten years, 5,000 physicians have left Puerto Rico, and the vast majority have moved to the United States in search of better economic conditions and more excellent work flexibility. That is a loss of over 36% of physicians in Puerto Rico, which contrasts with a population loss of 13.77% or 161.43% higher. This leaves us with about 9,000 active physicians, which results in 1 physician for every 365 people out of a total population according to the 2020 census of 3,285,874.

6. **Federal and state regulatory requirements have been decreasing Medicare and Medicaid payments:** on both a per diem and per stay basis, as well as a considerable reduction in outpatient reimbursement.

7. **Legislated staffing patterns** and mandated salary and benefit compensation for certain professionals.

8. **Increased educational requirements** for medical and technical professionals.

9. **Higher and stricter quality initiatives** that increase compliance costs.
18 Factors affecting hospitals, medical facilities, and the ecosystem

10. Cataclysmic events: Hurricanes Irma and Maria in 2017, the 2020 earthquakes followed by Fiona in 2022 continued and unprecedented activity requiring emergency capacity renovations and upgrades costing millions).

11. The bankruptcy of insurance companies: after the hurricanes and the lack of affordable property and casualty insurance at the local level, among others.

12. Need to combine health efforts with social services to keep the population healthy.

13. Concerns about cybersecurity: the victimization of medical facilities by placing the entire burden of protecting personal information on providers without government support.

14. A banking crisis and government bankruptcy: that has limited access to financial markets, increasing financing costs.

15. Population dynamics: are crossing a double threshold with negative emigration patterns and negative population growth (live births vs. deaths), decreasing patient volume at 10% per year.

16. The elimination of local drug manufacturing for generics has led to an increase in specific therapeutic categories by almost 500%.
18 Factors affecting hospitals, medical facilities, and the ecosystem

17. Aging and contraction of Medical Specialties: making some critical beyond the capacity of our residency programs to maintain the need.

18. We need a Champion: every ecosystem needs a champion in order to integrate the great work the PR Hospital Association and its members perform with other organizations.

The key is restructuring the ecosystem into a Holistic Healthcare Model
Chronic underfunding has stalled the growth of Puerto Rico's healthcare ecosystem. It continues to juggle with the very just $11.9 billion in funding when in fact, the correct number is $29.9 billion. That is 151.5% more than we currently receive. That amounts to $300 billion in the last decade a fact that has made our population sicker, older, poorer population.

In conclusion, Puerto Rico's healthcare ecosystem needs to be viewed holistically to make a total and absolute restructuring instead of continuing to put patches in place that, at the end of the day, have solved very little. Therefore, combining that restructuring and recurrent funding comparable to U.S. jurisdictions will be one of the keys to the future of Puerto Rico's healthcare ecosystem.
The Last Word: Puerto Rico a healthcare ecosystem ready for H.O.P.E.

H.O.P.E. signifies as the Holistic Organizational Performance Environment and it’s a call of action to unite all healthcare related entities from Hospitals to Insurance to transform the model into a Holistic approach while uniting efforts the eliminate discrimination from Congress.

We are focused into promoting H.O.P.E across all business related to healthcare, and we can all use H.O.P.E in our lives.
Section 6: Birling Capital Overview
Birling Capital Overview

Birling Capital is a leading corporate advisory & consulting firm that offers broad corporate finance & advisory services to institutional, government, corporate, middle-market companies, family corporations, and their owners in identifying and resolving organizational finance-related issues. We use a holistic approach to both assets and liabilities sides with integrated business, personal, and family needs and objectives.

Over the past two decades, our firm’s principals have advised on more than 150 transactions in the corporate, healthcare, retail, education, insurance, banking, and government markets.

Our value proposition has been implemented with three critical ingredients for success:

- Unwavering Commitment to Client Service
- Unparalleled Degree of Professionalism and Senior-Level Attention
- Extraordinary Level of Industry Expertise
Our Integrated Approach

- Revenue and profit improvement
- SG&A and cost reduction strategies
- Asset base analysis and optimization
- Corporate simplification
- Finance function transformation
- Interim management including CEO, CFO and COO

- Crisis management stabilization
- Working capital improvement

- Business review and business planning
- Cashflow management, liquidity review, stabilization and optimization
- Stakeholder negotiation involving covenant resets, refinancing and debt restructuring

Birling combines both operational and financial expertise to provide a full service offering. This means we design the solutions and then work with our clients to implement them.
Birling offers its customers the service of corporate financial planning which consists of an objective and comprehensive report on the current financial situation and the development of strategies based on their goals and needs analysis. Considering the income, financing needs, investment, economic opportunities, evaluation of potential risks, and other specific opportunities in each client.

Thinking and planning long-term can be a challenge when there are immediate financial pressures and uncertain income forecasts. Given the worsening economic conditions and economic pressures, the costs are rising faster than inflation, aging infrastructure, and increasing expectations about service levels. The process can be complex, but necessary to achieve financial sustainability.
Corporate Financial Planning (CFP)

Birling Capital’s holistic service approach
Don’t Forget what the U.S. Congress Discrimination Looks Like and How much it cost us

The Cost of Congress’ Discrimination of Puerto Rico Doctors is $7.77 billion yearly

The Cost of Congress’ Discrimination of Puerto Rico Hospitals is $9.86 billion yearly

CONGRESS DISCRIMINATION IN NUMBERS TO P.R. DOCTORS

US PER CAPITA HEALTHCARE PAYOUTS $13,000

PUERTO RICO PER CAPITA HEALTHCARE PAYOUTS $4,000

The Cost of Congress' Discrimination of Puerto Rico in Healthcare payouts is $29.9 billion

CONGRESS DISCRIMINATION IN NUMBERS TO P.R. HOSPITALS

US PER CAPITA HEALTHCARE PAYOUTS $13,000

PUERTO RICO PER CAPITA HEALTHCARE PAYOUTS $4,000

PUERTO RICO PER CAPITA HEALTHCARE PAYOUTS ARE 69% LESS

CONGRESS DISCRIMINATION IN NUMBERS TO P.R. HOSPITALS

US PER CAPITA HEALTHCARE PAYOUTS $13,000

PUERTO RICO PER CAPITA HEALTHCARE PAYOUTS ARE 69% LESS