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Executive Director

BY ELECTRONIC MAIL

June 30, 2026

Mr. Carlos Santiago Rosario
Executive Director
Puerto Rico Health Insurance Administration

Re: Managed Care Organizations – Amendments R

Dear Mr. Santiago Rosario:

In accordance with the Contract Review Policy (the "Policy") of the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed amendments to the contracts between the Puerto Rico Health Insurance Administration ("ASES," for its Spanish acronym) and the following Managed Care Organizations: (i) MMM Multihealth, LLC, (ii) Triple-S, Inc., and (iii) Plan de Salud Menonita, Inc. (the "Proposed Amendments").

After reviewing the Proposed Amendments, the Oversight Board concludes "**Approved with Conditions**." Conditions and observations related to the Proposed Amendments are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Amendments with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements

under the applicable contract. Any material changes to the Proposed Amendments or the original contracts must be submitted to the Oversight Board for review and approval **prior to execution**.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to ASES and solely with respect to the Proposed Amendments.

Sincerely,



Jaime A. El Koury
General Counsel

ASES – MANAGED CARE ORGANIZATIONS

Fiscal Plan Alignment

This review covers the Proposed Amendments to the contracts between ASES and the following Managed Care Organizations: (i) MMM Multihealth, LLC, (ii) Triple-S, Inc., and (iii) Plan de Salud Menonita, Inc. (collectively, the "MCOs")[1] for the provision of physical and behavioral health services under the Government Health Plan ("Plan Vital").

The original contracts (the "Contracts"), which were approved with conditions by the Oversight Board on December 28, 2022, have a term from January 1, 2023 to **September 30, 2025**, with two allowable one-year extensions. We remind ASES that, any amendments to the Contracts must be submitted to the Oversight Board for review and approval prior to execution in accordance with the Policy.

The Contracts' term is divided into three rating periods as follows:

- January 1, 2023 to September 30, 2023 (or the "First Rating Period");
- October 1, 2023 to September 30, 2024 (or the "Second Rating Period"); and
- October 1, 2024 to September 30, 2025 (or the "Third Rating Period").

Further, the Contracts have Per Member Per Month ("PMPM") rates, which are negotiated for each rating period. The aggregate maximum payable amount for the First Rating Period is **$3,006,696,000** among the MCOs.

The Contracts have been amended multiple times. The seventh amendment to the Contracts, which was approved with conditions by the Oversight Board on May 1, 2024, retroactively increased the PMPM rates by 13% for the Second Rating Period due to initiatives and payment adjustments. It had an aggregate maximum payable amount of **$4,127,517,429** among the MCOs.

The eighth amendment to each of the Contracts, which was approved with conditions by the Oversight Board on August 20, 2024, retroactively increased the PMPM rates for the First and Second Rating Periods as follows:

- January 1, 2023 to September 30, 2023: The eighth amendment retroactively increased the PMPM rates by 5.46% for the First Rating Period due to higher than anticipated Rx expenses and other medical claim costs. Accordingly, the eighth amendment retroactively adjusted the rates to ensure these reflected all reasonable and appropriate costs that are required under the Contracts and adjusted the member level risk scores to reflect regional

[1] ASES maintains Plan Vital contracts with four MCOs, including First Medical Health Plan. The aggregate amounts referenced in this review for the Contracts and subsequent amendments until the seventeenth amendment reflect the budgetary impact across all four MCOs. However, the aggregate maximum payable amount under the Proposed Amendments excludes First Medical Health Plan, as ASES determined, based on its actuarial analysis, that the First Medical Health Plan is not eligible for a capitation adjustment.

cost differences. The estimated one-time impact of the adjustments for the PMPM rates for the First Rating Period is $234,050,000.

- October 1, 2023 to September 30, 2024: The eighth amendment retroactively increased the PMPM rates by 5.3% for the Second Rating Period to cover a reimbursement for the following new initiatives implemented in October 2023: (i) a 5% increase in coverage of hospital facility charges ($39M), (ii) an increase in coverage of physician fee schedule from 75% or 80% to 100% ($65.5M), and (iii) an increase in the coverage of laboratory codes minimum fee schedule from 75% to 100% ($27.4M) (collectively, the "Implemented Initiatives").

  Additionally, the PMPM increase covered costs associated with the implementation of five new initiatives starting July 2024, which provided coverage for: (i) Non-Emergency Medical Transportation ($3.7M), (ii) Durable Medical Equipment ($13.4M), (iii) GlucagonLike Peptide-1 (GLP-1) Drugs for Weight Loss ($17.6M), (iv) Home Health ($13M), and (v) Hospice (collectively, the "Proposed Initiatives," and together with the Implemented Initiatives, the "New Initiatives").

  According to ASES, the implementation of the New Initiatives addressed the provider shortage in Puerto Rico and expanded services for enrollees under the Government Health Plan, while maximizing federal funds available in Federal Fiscal Year 2024. The estimated impact for the reimbursement and costs associated with the New Initiatives for the Second Rating Period was $179,708,000. Accordingly, the eighth amendment had an aggregate maximum payable amount of **$413,758,000** among the MCOs.

The fourteenth amendment[2] to each of the Contracts was approved with conditions by the Oversight Board on July 24, 2025. The amendments retroactively established the PMPM rates for the Third Rating Period with an aggregate maximum payable amount of **$4,777,744,000,** representing an increase of 21.06% compared to the Second Rating Period. As part of its conditional approval, the Oversight Board required ASES to evaluate whether an additional PMPM rate increase for the Third Rating Period was warranted and, if so, whether such adjustment should be implemented. ASES subsequently requested, and the Oversight Board granted, an extension until November 30, 2025 to conclude its assessment and determine whether an additional PMPM rate adjustment for the Third Rating Period was necessary.

Fourth Rating Period and Pending Negotiations

The fifteenth amendment to each of the Contracts was executed on September 30, 2025 to provide ASES with additional time to complete the actuarial analysis necessary to evaluate any capital adjustment for the Third Rating Period. The amendment extended the term to **September 30, 2026**

[2] Amendments ninth through thirteen extended the Second Rating Period rates until August 31, 2025, without modifying the maximum payable amount or term.

and established a new rating period from October 1, 2025 through September 30, 2026 (the "Fourth Rating Period"), without establishing its applicable rates.[3]

The sixteenth and seventeenth amendments to the Contracts further extended the Third Rating Period rates while the parties continued negotiations regarding the Fourth Rating Period. **As of the date of this letter, ASES has not determined the applicable rates for the Fourth Rating Period or identified available funding to support the associated budgetary impact, as negotiations remain ongoing.**

The Proposed Amendments, which constitute the eighteenth amendment to each of the Contracts, retroactively increase the PMPM rates for the Third Rating Period by an aggregate maximum payable amount of **$35,108,689**, representing a 1.5% of capitation adjustment. According to ASES, the adjustment is intended to reconcile actual medical and pharmacy costs against the assumptions underlying the rates approved by the Oversight Board in July 2025 for the Third Rating Period. Additionally, ASES represents that the adjustment is necessary to close out Federal Fiscal Year 2025 and facilitate completion of the negotiations regarding the Fourth Rating Period rates.

ASES has certified that the Proposed Amendments shall be covered entirely with Special Revenue Funds. To cover the Third Rating Period incremental adjustments, ASES must submit a budget reprogramming request to the Oversight Board through the Office of Budget Management to release the necessary Special Revenue Funds associated with the Medicaid Drug Rebates. The Oversight Board's review indicates that, upon its review and approval of the pertinent budget reprogramming request, ASES shall have sufficient funds in Fiscal Year 2025 to cover the cost of the Proposed Amendments. Accordingly, **the Oversight Board's approval of the Proposed Amendments is conditioned upon the Oversight Board's receipt, review and approval of the pertinent budget reprogramming request**, which shall be the subject of a separate letter from the Oversight Board.

This determination does not consider the extent to which total available funds will be subsequently encumbered by ASES throughout the applicable term. Consequently, we rely on ASES' budget certification for purposes of this review. In the event that the Proposed Amendments cause ASES to exceed its budget, it must find savings in other areas to cover any overspent amounts and submit a budget reprogramming request in order to ensure compliance with the Certified Fiscal Year 2025 Commonwealth Budget.

Medicaid Funding Cap and Fiscal Cliff

The Oversight Board further notes that, based on ASES' funding projections, expenditures for these services are expected to exceed the available federal Medicaid funding under the applicable cap, **resulting in the following projected federal funding shortfalls:**

[3] ASES notified the Oversight Board that the transition to a new actuarial firm as well as the actuarial analysis in connection with potential adjustments to the Third Rating Period delayed the negotiations regarding the Fourth Rating Period rates.

Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
~$63.5 million	**~$8.7 million**	**~$15.4 million**

Accordingly, expenditures incurred above the available federal Medicaid funding cap are not eligible for federal financial participation and must be funded entirely with Commonwealth funds. The Oversight Board further notes that these projections do not reflect any additional costs that may result from the pending negotiations regarding the Fourth Rating Period rates for Fiscal Year 2026 or the subsequent rating period for Fiscal Year 2027. Therefore, any increase in PMPM rates would further increase the Commonwealth's funding obligation as the federal Medicaid funding cap is exceeded as currently projected.

In light of these projections, **the Oversight Board expects ASES to ensure that any PMPM rate increases for the Fourth Rating Period or any subsequent rating period are fully funded with identified Commonwealth resources,** including available Special Revenue Funds and unrestricted cash balances, and that any proposed rate increase does not rely on federal Medicaid funding that is no longer available.

In addition, the Oversight Board reminds ASES that, beginning in Fiscal Year 2028, the Commonwealth may face a significant Medicaid fiscal cliff upon the expiration of temporary federal Medicaid funding provisions applicable to Puerto Rico, including the current 76% Federal Medical Assistance Percentage (FMAP) and approximately $4 billion in federal Medicaid funding. The expiration of these federal funding provisions could substantially increase the Commonwealth's fiscal exposure, as the Commonwealth may be required to cover any portion of the costs of the services provided under the Contracts that is no longer eligible for federal financial participation. **Accordingly, the Oversight Board reiterates the urgency of ASES evaluating the long-term budgetary impact of these services and ensuring that sufficient local funding sources are identified to support these obligations beyond the expiration of the current federal funding provisions.**

New Competitive Procurement Process

Finally, we note that, in its conditional approval letter for the fourteenth amendments, the Oversight Board reminded ASES that it must issue a competitive procurement process for the services provided under the Contracts well in advance of their expiration.

Considering that ASES has already exercised one of the two allowable one-year extensions for the services until September 30, 2026, it must issue and complete a new competitive procurement process for the services well in advance of the expiration of the allowable second and final extension on **September 30, 2027**. Accordingly, **the Oversight Board requests that ASES provide quarterly status updates to the Oversight Board on the new competitive procurement process commencing on September 30, 2026.**

ASES is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A to the Policy (Contract Submission Questionnaire) and to request a rereview of the Proposed Amendments should any changes occur.

This review was conducted on the basis of information submitted by ASES. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.