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Puerto Rico Emerges as Sticking Point in Government Funding Showdown.

President Trump's tweets on the U.S. territory fan GOP divisions as bankruptcy looms

President Donald Trump's criticism of a "bailout" for Puerto Rico is disrupting a bipartisan consensus on Capitol Hill to send the struggling U.S. territory more federal Medicaid dollars, according to people familiar with the matter.

The president has criticized efforts to funnel additional Medicaid dollars to Puerto Rico, saying in a Wednesday evening Twitter post that congressional Democrats "are trying to bail out insurance companies from disastrous #Obamacare, and Puerto Rico with your tax dollars."

Securing additional Medicaid dollars from Washington has been a priority for Puerto Rico as it sits on the verge of an unprecedented court-supervised bankruptcy. Mr. Trump weighed in after Democratic and GOP leadership reached an agreement to provide incremental assistance to Puerto Rico ahead of an impending health-care funding cliff on the island, according to people familiar with the matter.

Puerto Rico is projected to exhaust a \$6.4 billion Medicaid grant before the end of the year and has been struggling without replacement funding in place to complete annual renewals of its contracts with managed-care organizations, according to the Department of Health and Human Services. Almost half of Puerto Rico residents are covered by its Medicaid program, which Washington funds on a different formula than U.S. states.

Congress meanwhile is up against a Friday deadline to pass spending legislation to keep the U.S. government funded, and GOP leadership intends to buy another week for negotiations by passing a one-week extension known as a continuing resolution. A subsequent omnibus spending package would provide Puerto Rico with an incremental Medicaid grant, the size of which is still in flux, these people said.

House Democrats are now requiring such assistance as a condition for supporting the continuing resolution, and GOP leadership agrees it should be included, Puerto Rico Sen. Eduardo Bhatia said in an interview. But Mr. Trump's apparent skepticism aligns him with conservative House Republicans inclined to view its request as a bailout, leaving the deal a narrow path to passage in Congress.

Mr. Trump doubled down on his earlier remarks Thursday morning, tweeting that Democrats "want to shut government if we don't bail out Puerto Rico... NO!"

A representative for Speaker Paul Ryan (R., Wis.) couldn't immediately be reached for comment.

HHS this week estimated that Puerto Rico needs \$900 million to fund its Medicaid program through mid-2018. But Gov. Ricardo Rossello's lobbying for federal subsidies on Capitol Hill has drawn the ire of Puerto Rico creditors who are being asked in debt restructuring negotiations to take large

write-downs on \$70 billion in municipal bonds.

While Congress negotiates the continuing resolution and omnibus spending package behind closed doors, Puerto Rico's creditors are up against their own deadline. A legal shield protecting the territory from lawsuits over debt defaults is set to expire on Monday, and key creditor groups haven't yet signed forbearance agreements to postpone litigation so confidential talks can continue, according to people familiar with the matter.

Without standstill agreements in place, the federal board overseeing Puerto Rico's finances has the authority starting Tuesday to invoke a quasi-bankruptcy proceeding known as Title III. That process includes mechanisms to bind creditors to unfavorable repayment terms.

Dissatisfaction with the board has grown among Republican lawmakers, several of whom have questioned its 10-year fiscal blueprint, which earmarks \$800 million a year to pay creditors, or roughly a quarter of what they are owed under existing debt contracts.

With Monday's bankruptcy deadline looming and the board slated to meet on Friday in New York, Mr. Bhatia said creditors are making a last-ditch lobbying push to delay or restrict the board's power to invoke Title III as a condition of the Medicaid assistance.

One idea gaining traction with conservative House lawmakers is to require Government Accountability Office approval for any bankruptcy petition, according to people familiar with the matter. Backers of Title III say it was carefully negotiated when Congress passed a federal rescue law for Puerto Rico last year and shouldn't be revised now.

"The governor should come out strongly and say, no way," Mr. Bhatia said. "I'm making sure that whoever is behind this, we expose them."

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By Andrew Scurria

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