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For Immediate Release

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**South Carolina Denounces Biden Administration Move that Discourages Employment and Increases Costs of Medicaid Program to Taxpayers**

*Centers for Medicare & Medicaid Services Cancels Initiative Designed to Support Low-income Workers' Ability to Achieve Financial Independence*

**COLUMBIA, S.C.** – Governor Henry McMaster and South Carolina Department of Health and Human Services (SCDHHS) Director Robert Kerr today denounced the Centers for Medicare & Medicaid Services' (CMS) decision to withdraw the authorities that supported a key public health initiative CMS approved in December 2019. The Healthy Connections Community Engagement Initiative was approved as two separate Medicaid section 1115 demonstration waivers. The initiative was designed to better tailor health care resources to targeted vulnerable populations while also supporting low-income workers' ability to achieve financial independence. In a [letter sent to CMS Administrator Chiquita Brooks-LaSure on Sept. 14, 2021](#), Director Kerr wrote that CMS' decision to revoke the initiative "rejects the precedent that states should promote fiscal sustainability and healthy behavior set by a bipartisan group of CMS leadership."

The Healthy Connections Community Engagement Initiative encouraged financial independence by incentivizing adult South Carolinians without a qualifying exemption to work, participate in an education or work training program or serve their communities, and raised the income cap for Medicaid eligibility for low-income South Carolinians who completed a qualifying activity. Since the initiative was approved under section 1115 authority demonstration waivers, it was required to be budget neutral.

[In withdrawing the authorities that supported the initiative](#), CMS attempted to impose new special terms and conditions (STCs) on SCDHHS that it developed without consulting the state. The amended STCs drastically changed the scope of the initiative and would have resulted in an additional financial burden for South Carolina's taxpayers. In an attempt to explain its decision to cancel the authorities that support the initiative, [CMS cited the impact of the COVID-19 pandemic](#) and a decrease in the state's labor force participation rate from January 2020 to March 2021.

In his letter, Director Kerr said, "the state strongly disagrees with CMS' assertion that the 'disruptions caused by the COVID-19 pandemic' constitute grounds for withdrawing the authorities used to approve this important public health initiative, particularly as the state experiences a well-documented surplus of job openings and historically low labor force participation rate." Director Kerr also took exception to CMS' arbitrary attempt to reshape the initiative without consulting its partners at SCDHHS, asserting that "...the nature of the changes made by CMS to the STCs prevent the state from operating this program in a manner that is budget neutral. Instead, this change amounts to a backdoor attempt to expand Medicaid in South Carolina that will result in an additional financial burden for taxpayers."

"The Trump Administration approved this innovative policy because they understood – like we do – that the best way out of poverty is through a job that provides stability and an important sense of responsibility," said Gov. Henry McMaster. "Rather than incentivizing able-bodied young adults to find one of the tens of thousands of jobs available in South Carolina, the Biden Administration has decided to double down on paying them to stay at home. In a time when our state's economy is strong and we have employers looking for qualified employees,

there's no reason we shouldn't have the ability to require our people to find a job, participate in workforce training, or serve in their communities as a condition of receiving taxpayer-funded health care."

The Healthy Connections Community Engagement Initiative, which included the [Healthy Connections Works](#) and [Palmetto Pathways to Independence](#) section 1115 demonstration waivers, was set to be implemented in January 2022. At the time of CMS' decision, the initiative was delayed due to the ongoing federal public health emergency declaration. The initiative's original application included a provision to extend Medicaid coverage for new mothers from 60 days to 12 months postpartum. Proviso 33.22, [which SCDHHS supported](#) and was included in the FY 2021-2022 state budget signed by Gov. McMaster, extends Medicaid coverage for women who qualify for Medicaid because they are pregnant or postpartum.

As of August 2021, South Carolina's Healthy Connections Medicaid program provided health care coverage for approximately 1.2 million South Carolinians. Approximately 60% of all children in South Carolina are covered by Medicaid. Currently, most adults in South Carolina who earn between 67 and 100% of the federal poverty level earn too much to qualify for Medicaid coverage but not enough to qualify for discounted health coverage through the federal exchange. This gap was created by the Affordable Care Act and provides a disincentive for low-income adults to earn enough income to rise above the poverty level. By removing this obstacle to escaping poverty, the Healthy Connections Community Engagement Initiative sought to encourage self-sustainability and better overall outcomes for individuals, families and communities across the state. The initiative exempted [certain adults](#), including those who serve as the primary caregiver of a child or someone who is disabled, pregnant women, disabled individuals and those ages 65 and older, from the requirement to work, participate in an education or work training program or serve their communities.

SCDHHS projects that expanding Medicaid under the incentives included in the American Rescue Plan Act that was signed by President Biden on March 11, 2021, would cost the state \$1.93 billion over the first 10 years. This projection accounts for the American Rescue Plan Act's temporary increase in federal funds to the state's Medicaid program.

[Read a searchable PDF of Director Kerr's letter to CMS.](#)

Read Administrator Brooks-LaSure's [Healthy Connections Works](#) and [Palmetto Pathways to Independence](#) letters.

Read more about the Healthy Connections Community Engagement Initiative by visiting [www.scdhhs.gov/ce](http://www.scdhhs.gov/ce).

### **About the South Carolina Department of Health and Human Services**

*The South Carolina Department of Health and Human Services provides healthcare benefits to more than one million South Carolinians. Its mission is to purchase the most health for our citizens in need at the least possible cost to the taxpayer.*

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