

April 30, 2025

PUBLIC NOTICE

South Carolina Department of Health and Human Services Palmetto Pathways to Independence Demonstration Waiver

In accordance with 42 CFR § 431.408, public notice is hereby given that the South Carolina Department of Health and Human Services (SCDHHS) proposes to submit to the Centers for Medicare and Medicaid Services (CMS) its request to apply for a Section 1115 demonstration waiver for a period of five years. SCDHHS seeks public comments on the waiver application to establish a new eligibility pathway for individuals who meet the definition of parent caretaker relative (PCR), meet community engagement requirements, and have an income that is at or above 67% of the federal poverty level (FPL) and below 95% FPL with a 5% disregard. This will effectively include individuals with income between 67% and 100% of FPL.

This notice provides details about the demonstration waiver application and serves to formally open the 30-day public comment period, which begins on April 30, 2025, and concludes on May 31, 2025. During the public comment period, the public will be able to provide written comments to SCDHHS via U.S. Postal Service or electronic mail, as well as make comments verbally during public hearings.

Public Hearings

The public is welcome to attend a public meeting to learn more about the waiver application, ask questions, and provide comments and feedback about the waiver. Two public hearings will be held on the following dates, times, and locations. Individuals with disabilities who require special accommodation in order to attend these public meetings should contact Kira Ramseur at (803) 898-4134 or email at CEWaiver@scdhhs.gov to ensure that any necessary accommodations can be provided.

| <u>Public Hearing #1 (In Person and Virtual)</u> | <u>Public Hearing #2 (Medicaid Advisory Council Meeting - Virtual)</u> |
|--|--|
| May 6, 2025 9:30 a.m. 1801 Main Street Columbia, South Carolina 29201 Multipurpose Room A/B Please join the public hearing by following this link: https://events.gcc.teams.microsoft.com/event/67846a96-d1c1-42d6-b82c-4a7e53c4c363@45843448-87c2-4911-a7e2-1079f0f4aac3 | May 13, 2025 10 a.m. Please join the public hearing by following this link: https://events.gcc.teams.microsoft.com/event/cb2cf24f-6e39-4c90-8a38-7a90242659a6@45843448-87c2-4911-a7e2-1079f0f4aac3 |

Program Description and Goals

South Carolina's demonstration waiver seeks to implement a new program, Palmetto Pathways to Independence, to provide a health care coverage pathway for families whose income is currently too high to qualify for South Carolina Healthy Connections Medicaid but too low to qualify for federal subsidies in the federal marketplace. The demonstration seeks to build a state-specific solution to eliminate the financial disincentives for employment that currently exist due to the all or nothing approach to Medicaid expansion as authorized under the Patient Protection and Affordable Care Act (ACA). Specifically, the Palmetto Pathways to Independence waiver program will establish a new eligibility pathway for adults aged 19-64 who otherwise meet eligibility criteria under the PCR coverage group and have an income that is at or above 67% and below 95% FPL with a 5% disregard, effectively including individuals with income between 67%-100% FPL.

South Carolina's goals for the demonstration are to incentivize employment and close the health care coverage gap created by ACA. The demonstration will support strategies to:

- Remove health-related barriers to employment;
- Promote member transition to commercial health insurance; and
- Support the long-term, fiscal sustainability of the Healthy Connections Medicaid program.

Individuals eligible for the demonstration will be required to participate in 80 hours per month of community engagement activities to gain and maintain Medicaid coverage through the demonstration.

Qualifying community engagement activities include:

- Employment for no less than 80 hours per month;
- Participation in an adult secondary education program through a public school district or technical college, including vocational education and training programs, as a full or part-time student. Full or part-time student is defined as one who participates in at least 12 hours per semester (or equivalent); or for part-time students, a total of at least 12 hours over the course of two completed semesters during a 12-month period that shows a participant is achieving the state unit's academic standards;
- Participation in a degree- or certificate- seeking program in an accredited institution of higher education, as defined by the South Carolina Commission on Higher Education as a full or part-time student. Full or part-time student is defined as one who participates in at least 12 hours per semester (or equivalent); or for part-time students, a total of at least 12 hours over the course of two completed semesters during a 12-month period that shows a participant is achieving the state unit's academic standards;
- Compliance with unemployment insurance (UI) work-search requirements (first 16 weeks of UI benefits);
- For dual Medicaid- Supplemental Nutrition Assistance Program (SNAP)/ Temporary Assistance for Needy Families members, demonstrated compliance with SNAP community engagement standards;
- Participation in/compliance with medically necessary substance use disorder treatments; and

- For individuals who are a member of the Catawba Nation, additional qualifying activities may include participation in tribal economic development programs including on-the-job training, the 8(a) Status program, or volunteer opportunities through the Catawba Nation.

Individuals who do not meet the work or community engagement requirements will be disenrolled from the Palmetto Pathways to Independence waiver program.

Members and Eligibility

The demonstration waiver will create a new eligibility pathway for adults aged 19 to 64 who:

- Meet the definition of a PCR at 42 CFR § 435.110;
- Have an income at or above 67% and below 95% FPL with a 5% income disregard; and
- Meet work and/or community engagement requirements.

| Eligibility Group | Social Security Act and CFR Citation | Income Level |
|-------------------|--|---|
| PCR | SSA §1931; SSA §1902(a)(10)(A)(i); and 42 CFR §435.110 | Over 67% and under 95% of FPL with a 5% disregard |

Enrollment and Fiscal Projections

Current data indicates that up to 17,700 individuals are potentially eligible for the demonstration. However, the state intends to limit the number of individuals who can be served under the demonstration, based upon available state funding, to no more than 11,400 members.

If the total enrollment of 11,400 members is reached, a demonstration-eligible individual will be placed on a waiting list for enrollment in the program. If a waiting list is in place, the state will enroll individuals from the waiting list based on their application date. A chronological list will be maintained, and individuals will be targeted for enrollment in the order of application. Before an individual can move from the waiting list into the waiver demonstration, they must demonstrate compliance with community engagement qualifying activities in the most recent month prior to the start of eligibility.

The table below illustrates year one through five enrollment projections for the Palmetto Pathways to Independence waiver population. The estimated enrollment is reflective of unique members per year and includes an enrollment cap of 11,400 members.

Palmetto Pathways to Independence Waiver Projected Enrollment

| | Demonstration Years (DY) | | | | |
|--------------------------------|--------------------------|---------|---------|---------|---------|
| | DY 01 | DY 02 | DY 03 | DY 04 | DY 05 |
| Estimated Enrollment | 5,280 | 8,930 | 10,736 | 11,391 | 11,400 |
| Estimated Member Months | 63,358 | 107,160 | 128,832 | 136,692 | 136,800 |

The base eligible population includes South Carolina residents ages 19-64 who fit PCR eligibility criteria with income between 67% and 100% of the FPL. The American Community Survey (ACS) census data from the U.S. Census Bureau for South Carolina for calendar year 2023 was utilized to project the base population eligible for the Palmetto Pathways to Independence waiver. The ACS data provided information regarding the number of PCR with and without health insurance by FPL and has been adjusted to reflect actual enrollment in South Carolina Healthy Connections Medicaid and private health insurance. Additionally, emerging enrollment was reviewed to understand the impact of the public health emergency and recent regulations by insurance coverage. The individuals eligible for Medicaid

under the Palmetto Pathways to Independence waiver are assumed to not be currently eligible for Medicaid in South Carolina.

Cost Estimates per Member

The per capita expenditures for the waiver population are developed from the state fiscal year (SFY) 2025 projected expenditures for individuals currently enrolled in the Healthy Connections Medicaid managed care program, adjusted to reflect pent-up demand and morbidity. Costs per member are assumed to increase at an annual rate of 6%, consistent with the president’s trend used in the Congressional Budget Office’s Medicaid expenditures projections.

The table below illustrates year one through five per member per month (PMPM) projections for the Palmetto Pathways to Independence waiver population.

Palmetto Pathways to Independence Waiver Projected PMPMs

| | Demonstration Years (DY) | | | | |
|-----------------------|--------------------------|-----------|-----------|-------------|-------------|
| | DY 01 | DY 02 | DY 03 | DY 04 | DY 05 |
| Estimated PMPM | \$ 870.77 | \$ 903.65 | \$ 945.22 | \$ 1,001.95 | \$ 1,062.09 |

Budget Neutrality

The budget neutrality requirements for Section 1115 waivers ensure that Medicaid demonstration projects do not increase federal Medicaid spending beyond what it would have been without the waiver. As a result, states must design their 1115 waiver proposals so that the projected costs under the waiver are equal to or less than the expected costs to the federal government without the waiver. The budget neutrality formula compares Without Waiver (WOW) expenditures to With Waiver (WW) expenditures, ensuring that WOW costs are greater than or equal to WW costs using the PMPM methodology approach.

- WOW expenditures, or baseline expenditures, represent the amount the federal government would have spent in the absence of the demonstration and form the basis for the budget neutrality expenditure limit.
- WW expenditures, or actual expenditures, are the projected costs under the demonstration.

In accordance with CMS guidance, for the budget neutrality calculation associated with the community engagement population, hypothetical costs are used to estimate WOW expenditures for the 1115 Palmetto Pathways to Independence waiver since these members are not currently enrolled in Medicaid. In other words, these expenditures are based on anticipated costs rather than historical data. For purposes of the budget neutrality, Medicaid rates were applied to anticipated utilization for the PMPM projections.

Budget Neutrality Demonstration WOW and WW Budget Projections

| Eligibility Group: Hypothetical with Waiver (WW) | Demonstration Years (DY) | | | | | Total WW |
|---|--------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | DY 01 | DY 02 | DY 03 | DY 04 | DY 05 | |
| Services | | | | | | |
| Eligible Member Months | 63,358 | 107,160 | 128,832 | 136,692 | 136,800 | 572,842 |
| PMPM Cost | \$ 870.77 | \$ 903.65 | \$ 945.22 | \$ 1,001.95 | \$ 1,062.09 | \$ 970.66 |
| Total Expenditures | \$ 55,170,387 | \$ 96,835,378 | \$ 121,774,764 | \$ 136,958,947 | \$ 145,293,919 | \$ 556,033,395 |

| Eligibility Group: Hypothetical without Waiver (WOW) | Demonstration Years (DY) | | | | | Total WOW |
|---|--------------------------|---------------|----------------|----------------|----------------|----------------|
| | DY 01 | DY 02 | DY 03 | DY 04 | DY 05 | |
| Services | | | | | | |
| Eligible Member Months | 63,358 | 107,160 | 128,832 | 136,692 | 136,800 | 572,842 |
| PMPM Cost | \$ 870.77 | \$ 903.65 | \$ 945.22 | \$ 1,001.95 | \$ 1,062.09 | \$ 970.66 |
| Total Expenditures | \$ 55,170,387 | \$ 96,835,378 | \$ 121,774,764 | \$ 136,958,947 | \$ 145,293,919 | \$ 556,033,395 |
| Hypotheticals Variance | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

Benefits, Cost Sharing, and Delivery System

Both the benefits provided under the demonstration and the cost-sharing requirements applicable to members will not differ from those provided under the Medicaid State Plan. South Carolina does not have cost-sharing requirements in the Medicaid State Plan.

The delivery system used to provide benefits to the demonstration participants will not differ from the Medicaid State Plan. Participants will be enrolled into managed care.

No deviation will be made for services furnished through fee-for-service Medicaid. Likewise, no deviations will be made for managed care capitation rates and contracting requirements. Current State Plan rules and internal procedures that govern mandatory assignment to managed care will continue to operate in their current form.

Hypotheses and Evaluation

During the approval period, SCDHHS proposes to test a series of hypotheses the state believes will lead to success in removing health-related barriers to employment, promote transition to commercial insurance, and increase the number of individuals seeking continued education and job training. A detailed evaluation design will be developed for review and approval by CMS. The chart below identifies the specific hypotheses, methodology, and potential performance measures associated with this demonstration.

| Hypotheses | Methodology | Performance Measure |
|---|---|--|
| The demonstration will increase the number of adults above 67% and up to 100% of the FPL who are engaged in at least 80 hours a month of employment or employment related activities. | SCDHHS will analyze patterns of application, enrollment, disenrollment, and qualifying hours and activities in the first 13 months of the demonstration. | Qualifying hours and activities as determined. |
| The demonstration will encourage members to participate in education and job training. | Annually, SCDHHS will track members participating in a General Educational Development (GED) preparation program, participating in college education courses, and participating in vocational education and training. | Administrative data: Members reporting GED preparation-related activities for their community engagement hour requirements. Members reporting college education activities for their community engagement hour requirements. Members reporting vocational education and training activities |

| Hypotheses | Methodology | Performance Measure |
|--|--|---|
| | | for their community engagement hour requirements. |
| Individuals participating in community engagement activities will transition to commercial health care coverage. | Monthly, SCDHHS will track the number of individuals enrolled in the demonstration eligibility group who have commercial health insurance using information from the eligibility system and data matches through information used to identify third party liability. | The number of individuals enrolled in the demonstration PCR eligibility groups who have obtained commercial health insurance. |
| As a result of adding eligibility for this group, the demonstration will improve enrollment continuity for current members who experience an increase in income or change in circumstance. | SCDHHS will track patterns of Medicaid enrollment for members who transition from existing Medicaid categories into this category as they experience an increase in income or other change in circumstance. | The number of members who transition from existing Medicaid categories into this category. |

Waiver and Expenditure Authorities

The following authorities are requested to implement the demonstration waiver:

1. Eligibility

SSA Sections 1902(a)(8) and 1902(a)(10)

To the extent necessary to require qualifying hours and activities as a condition of eligibility as described in this application and to the extent necessary to limit enrollment to parents and caretaker relative adults aged 19-64.

2. Provision of Medical Assistance

SSA Section 1902(a)(8)

To the extent necessary to suspend and terminate eligibility for individuals who fail to comply with the qualifying hours and activities requirement as described in this application.

3. Hospital Presumptive Eligibility

SSA Section 1902(a)(47)(B)

To permit the state not to provide hospital presumptive eligibility to individuals in the demonstration.

4. 133% Income Level

SSA Section 1902(a)(10)(A)(i)(VIII)

To the extent necessary to enable South Carolina to implement a lower income level for the demonstration group. To provide medical assistance to individuals who meet the definition of parents and caretaker relatives between 67% and 95% of the FPL with a 5% income disregard.

5. Reasonable Promptness

SSA Section 1902(a)(8)

To the extent necessary to place a cap on enrollment numbers and maintain a waitlist for qualified individuals who apply for coverage while the program exceeds the enrollment cap.

Review of Documents and Submission of Comments

The proposed application request is accessible for public review on the SCDHHS website at: www.scdhhs.gov/cewaiver and can be requested by email at CEWaiver@scdhhs.gov.

Hard copies are also available at:

SCDHHS Main Office
1801 Main Street
Columbia, South Carolina, 29201
and
All Healthy Connections County Offices

Interested parties should submit public comments to SCDHHS on the Palmetto Pathways to Independence proposal on or before May 31, 2025. Written comments on the proposal can be submitted electronically or through the mail:

1. Email to CEWaiver@scdhhs.gov, reference “Palmetto Pathways to Independence” in the subject line.
2. Written comments may be mailed to:
South Carolina Department of Health and Human Services
Re: Palmetto Pathways to Independence Waiver
P.O. Box 8206
Columbia, South Carolina 29202

Eunice Medina
Director

Notice of Non-Discrimination

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You can also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, available at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf> or by mail or phone at: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201 or by phone at: 800-368- 1019, 800-537-7697 (TDD). Complaint forms are available at <http://www.hhs.gov/ocr/office/file/index.html> .