



Community Engagement

Section 1115 Demonstration Waiver Application

Governor Henry D. McMaster

June 23, 2025



HENRY DARGAN McMASTER
GOVERNOR

June 23, 2025

Robert F. Kennedy, Jr.
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Secretary Kennedy:

On behalf of the state of South Carolina, I am submitting to the U.S. Department of Health and Human Services (HHS) the enclosed Section 1115 demonstration waiver application to implement community engagement standards that will also serve to close the health care coverage gap created by the Patient Protection and Affordable Care Act (ACA) and incentivize employment among its citizens.

This demonstration waiver seeks to build a state-specific solution to eliminate the financial disincentives for employment that currently exist due to the ACA's all or nothing approach to Medicaid expansion. Specifically, this 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.

Thank you for your thoughtful consideration of this waiver and for your demonstrated commitment to the people of South Carolina.

Your very truly,

A handwritten signature in blue ink, reading "Henry Dargan McMaster".

Henry Dargan McMaster

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Section 01: Background

The South Carolina Department of Health and Human Services (SCDHHS) is the single state agency responsible for administering the joint state-federal Title XIX Medicaid and Title XXI Children's Health Insurance Program (CHIP). In this role, SCDHHS finances health benefits coverage for one out of every five South Carolinians, is the single largest insurer of children in the state and covers more births in South Carolina each year than all other health payers combined.¹ Accordingly, SCDHHS' policies set forth financial incentives with significant impact not only in the state's healthcare industry, but in private employment and other social service delivery systems.

Improving the health and well-being of South Carolina's Medicaid population is the first step in elevating the state's overall health status. Doing so requires looking beyond access to healthcare coverage and requires policymakers to evaluate other factors that may affect individuals' ability to improve outcomes for themselves and their family. This includes evaluating policies that incentivize, or disincentivize, independence and prosperity. In January 2018, the Centers for Medicare and Medicaid Services (CMS) issued guidance announcing an additional avenue for states to address social environment issues. The policy allowed Medicaid programs to incentivize community engagement activities among non-elderly, non-pregnant adult Medicaid members who are eligible for Medicaid on a basis other than disability. These programs, executed through section 1115 waivers, were intended to promote better mental, physical, and emotional health, as well as helping families rise out of poverty and attain independence.

South Carolina first pursued, and was granted approvals for, section 1115 waivers for the Healthy Connections Community Engagement Initiative in December 2019. SCDHHS paused implementation of the initiative during the COVID-19 federal public health emergency to comply with the Families First Coronavirus Response Act. Then, during the Biden administration, CMS withdrew the approval of the waivers on August 10, 2021, denying SCDHHS the authority to implement this important initiative. This presented working families with an undesirable choice: earn additional income to support their family or lose their healthcare coverage. This waiver application seeks to remedy this situation and support working families in their path to independence.

A significant body of medical literature and scholarly research supports the link between health status and employment. This includes:

- Unemployment can have a negative impact on both physical and psychological well-being. A meta-analytic study published in the *Journal of Applied Psychology* found that "unemployed individuals had lower psychological and physical well-being than did their employed counterparts."²

¹ Source: US Census American Community Survey 2017 Data Set S0101 and Milliman SFY 2017-2018 Summer 2016 Medicaid Assistance Forecast

² McKee-Ryan, F., Song, Z., Wanberg, CR., Kinicki, AJ. Psychological and physical well-being during

- A study published in the *Disability and Health Journal* found that participants with any level of paid employment had a better quality of life, their self-reported health status was higher, and the per person per month Medicaid expenditures were less.³

Unfortunately, the Patient Protection and Affordable Care Act (ACA) creates a disincentive for individuals to seek paid or higher paid employment. Specifically, an individual enrolled in the parent and caretaker relative (PCR) coverage group whose income increases as the result of employment risks losing access to health coverage. This is due in large part to financial disincentives created by intersecting the ACA's unconstitutional mandate of Medicaid expansion with federal marketplace exchange subsidies. States opting not to implement full Medicaid expansion pursuant to §1902(a)(10)(A)(VIII) of the Social Security Act (SSA) are faced with a so-called “subsidy cliff” whereby parents with incomes too high to qualify for Medicaid – 62% of the federal poverty level (FPL) in South Carolina with a 5% income disregard – also do not reach the income threshold of 100% FPL to qualify for marketplace subsidies on the federal exchange. This creates a perverse financial incentive for individuals to keep their incomes artificially low for risk of losing healthcare coverage and bearing the full cost of health services.

Through this demonstration waiver, SCDHHS intends to correct this flawed program structure by creating a new program that eliminates the healthcare coverage gap for low-income families who are working. In this way, the Palmetto Pathways to Independence program will honor South Carolina's longstanding policy of not increasing government dependence through the adoption of Medicaid expansion under the ACA, while also taking steps to remove perverse financial disincentives for employment. SCDHHS will accomplish this by seeking to 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 above 67% and up to 95% FPL with a 5% disregard; and
- Meet work and/or community engagement requirements.

Given the large role that state government plays in influencing the social environment of citizens, especially those dependent on social benefit programs, states must take responsible steps to address these needs holistically. Addressing these factors is a critical aspect of South Carolina's efforts to improve the health of our citizens, reduce the costs of healthcare and eliminate health disparities. The purpose of this section 1115 demonstration waiver, hereafter referred to as “demonstration waiver,” is to reinforce the proven link between improved economic self-sufficiency and improved health by leveraging the Medicaid program's financing mechanisms to remove health-related barriers to employment by eliminating the disincentives to employment created by the ACA coverage gap.

Section 02: Program Description

³ Hall, J., Kurth, N., Hunt, S. Employment as a health determinant for working-age, dually-eligible people with disabilities. *Disability and Health Journal*. 2013. Volume 6, Issue 2 Pages 100-106. <https://doi.org/10.1016/j.dhjo.2012.11.001>.

South Carolina's demonstration waiver seeks to implement a new program, Palmetto Pathways to Independence, to provide a coverage pathway for families whose income is currently too high to qualify for 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 ACA's all or nothing approach to Medicaid expansion. Specifically, the Palmetto Pathways to Independence 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 above 67% and up to 95% FPL with a 5% disregard, effectively including individuals between 67%-100% FPL.

In addition, in order to qualify for this new eligibility pathway, individuals must also meet community engagement activity standards by participating in a qualifying activity for a minimum of 80 hours per month. Since the intent of the waiver is to remove disincentives for employment that exist in the current program for Medicaid-enrolled parents and caretaker relatives, maintaining employment or other forms of community engagement is a critical component of the Palmetto Pathways to Independence program.

Demonstration-eligible individuals will be required to participate in community engagement activities in order to gain Medicaid coverage and continue to participate in community engagement activities in order to maintain an active Medicaid enrollment status in this waiver. Work and community engagement requirements of this nature are not new in South Carolina, as individuals enrolled in the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefit programs are already required to meet similar stipulations as a condition of eligibility. To ease the administrative burden on both the state and members, the Department intends to align the participation requirements of the Palmetto Pathways to Independence program, where possible, with the work-search, education, and training opportunities available through other publicly funded programs.

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-SNAP/TANF members, demonstrated compliance with SNAP community engagement standards;
- Participation in/compliance with medically necessary substance use disorder treatments;
- For individuals who are members 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. SCDHHS will not disenroll any member for noncompliance with the work or community engagement requirements during any month in which the statewide unemployment rate is greater than 8%.

Enrollment Standards

SCDHHS will determine eligibility for the new demonstration population at the time of application. Individuals will only be considered for the Palmetto Pathways to Independence program if they are not eligible for another full benefit category of assistance and indicate that they want to be considered for the program. Individuals will be required to meet community engagement qualifying activity requirements in the month prior to application. Additionally, individuals will be required to affirm their understanding of program requirements and their intent to abide by requirements prior to enrollment in the demonstration.

Individuals who are not eligible for another full benefit category of assistance will be provided with directions on how to opt-in to consideration for demonstration coverage. Individuals will be required to meet community engagement qualifying activity requirements in the month prior to enrollment and affirm their understanding of program requirements and their intent to abide by requirements prior to enrollment in the demonstration. SCDHHS will use system information available to validate qualifying activities through other public programs when the state already has the means to determine that an individual is meeting community engagement criteria.

Verification Methodology

SCDHHS will verify compliance with the work and community engagement requirements through a mix of indirect and direct validation approaches.

- **Indirect Validation.** Several state agencies manage programs that encourage education and employment activities, and many of these programs require an effort comparable to those proposed in this waiver. The Department intends to seek and obtain data-sharing and operating agreements with these programs to first provide external validation of community engagement qualifying activities to be compliant with verification requirements listed in 42 CFR 435.952 and to reduce duplication of effort and administration.

- **Direct Validation.** While SCDHHS believes the majority of validations can occur through the collection of evidence during the eligibility process and through data-sharing activities with other public programs, some portion of Medicaid members will need to provide documentation of community engagement data to SCDHHS. SCDHHS intends to leverage existing and planned information technology infrastructure to manage this effort and will provide training and resources to eligibility staff to support data collection and validation.

Program Participation

SCDHHS will limit enrollment in the Palmetto Pathways to Independence program to a maximum of 11,400 members. Individuals will need to demonstrate compliance with the work or community engagement requirements prior to enrollment in the program. Compliance can be demonstrated by meeting a qualifying community engagement activity for at least 80 hours in the month prior to application.

Individuals with eligibility in the demonstration will be reviewed for compliance with community engagement requirements at their annual redetermination. An individual will be deemed non-compliant with community engagement if they do not meet community engagement criteria at the time of annual redetermination.

An individual who has not met the community engagement criteria at their annual redetermination will be disenrolled from the program. Individuals who do not qualify for any other Medicaid eligibility category will be disenrolled from Medicaid and must reapply and demonstrate compliance with community engagement requirements in order to regain coverage. Individuals who report a change of circumstance during their benefit period that demonstrates non-compliance with the community engagement requirements will be disenrolled from the program. Individuals who do not qualify for any other Medicaid eligibility category will be disenrolled from Medicaid and must reapply and demonstrate compliance with community engagement requirements in order to regain coverage. Before disenrolling an individual, SCDHHS will provide timely and adequate written notice to the individual in advance of disenrollment or reduction of benefits. The notice will also provide full appeal rights as required under 42 C.F.R., Part 431, subpart E.

Section 03: Demonstration Waiver Goals

South Carolina's goals for the demonstration are to incentivize employment and close the healthcare coverage gap created by the 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.

SCDHHS intends to demonstrate, through specific hypotheses and evaluations that this approach to supporting employment and easing the ACA coverage gap will improve the well-being of adult participants in the Medicaid program in South Carolina.

Section 04: 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. At the time of developing the evaluation design, the state's independent evaluator will detail all applicable and appropriate data sources to support their evaluation activities. The evaluation will utilize qualitative and quantitative research analysis methods, as appropriate, including but not limited to, descriptive methods, trend analysis and comparison groups, and quasi-experimental research designs to conduct robust evaluation of the demonstration. The chart below identifies the specific hypotheses, methodology, and potential performance measures associated with this demonstration.

Table 1: Hypotheses

| 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 or data demonstrating GED preparation-related activities for their community engagement hour requirements. Members reporting or data demonstrating college education activities for their community engagement hour requirements. Members reporting or data demonstrating vocational education and training activities for their community engagement hour requirements. |
| Individuals participating in | Monthly, SCDHHS will track | The number of individuals |

| | | |
|--|---|---|
| community engagement activities will transition to commercial healthcare coverage. | 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. | 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. |

Section 05: Demonstration Eligibility

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 individuals.

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 standards and methodologies used to determine eligibility for this demonstration are outlined in the Program Description.

The following table identifies information regarding the population SCDHHS is including in this demonstration waiver:

Table 2: Demonstration Population

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

Section 06: Demonstration Benefits and Cost Sharing Requirements

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.

Section 07: Delivery System and Payment Rates for Services

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. 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.

No new quality-based supplemental payments are being made to any providers or class of providers under this demonstration.

Section 08: Implementation of Demonstration

After CMS approval, SCDHHS will develop a communication and implementation plan that clearly lays out timing, content, and the methodology by which participants will be notified of program changes. SCDHHS will also develop educational materials for internal staff and external stakeholders to ensure clear communication with participants.

SCDHHS will work with partner agencies to negotiate data-sharing agreements that will allow for enhanced data matching, which will provide external validation of community engagement qualifying activities to the greatest extent possible. Partner agencies may include the Department of Education, the Department of Employment and Workforce, the Department of Social Services, and the Commission on Higher Education.

The demonstration will operate statewide.

SCDHHS is requesting a five-year waiver approval for this demonstration.

The demonstration will not affect or modify other components of the state's current Medicaid and CHIP programs.

Section 09: Demonstration Financing and 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 per member per month (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 program 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. Additional details on the budget neutrality calculation can be found in Appendix A.

Enrollment

The table below illustrates year one through year 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.

Table 3: 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 are PCRs with income above 67% and up to 100% of the FPL. The American Community Survey (ACS) census data from the U.S. Census Bureau for South Carolina for calendar year (CY) 2023 was utilized to project the base population eligible for the Palmetto Pathways to Independence waiver program. 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 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 program are not assumed to be currently eligible for Medicaid in South Carolina.

The following assumptions were applied to the base eligible population:

Take-up rate

The take-up rate reflects the percentage of the eligible Palmetto Pathways to Independence waiver population expected to enroll in the program. The take-up rate by insurance coverage was based on a review of historical Medicaid participation rates and current unemployment levels, which are at historically low levels. The take-up rates for eligible Medicaid members who are known Medicaid recipients to the South Carolina program, such as members who have exhausted their Transitional Medicaid Assistance (TMA) coverage, pregnant women whose coverage has terminated at the end of the 12 month postpartum period, or individuals enrolled in the Family

Planning limited-benefit population are assumed to be approximately 10% higher than the uninsured or ACA marketplace eligible populations.

Assumed ramp-up to ultimate take-up rate

Absent an enrollment cap on the Palmetto Pathways to Independence waiver program, projected enrollment assumes a period of 36 months for enrollment in the waiver to ramp up to the ultimate take-up rate and is estimated at approximately 45% of the fully implemented program in year 1, 76% in year 2, and 92% in year 3.

Work requirement

Work requirement activities assume employment for no less than 80 hours per month using monthly income of \$580 (\$7.25 minimum wage x 80 hours = \$580) as a proxy for this requirement. Of the portion of non-college PCR adults subject to the proposed work requirement activities, 75% are assumed to meet the no less than 80 hours per month employment requirement based on SCDHHS review of the South Carolina Department of Employment and Workforce data.

In addition, individuals in a full-time/part-time degree- or certificate- seeking program are eligible for the Palmetto Pathways to Independence waiver through the secondary education qualifying activity criteria and are therefore exempt from the work requirement. Based on review of the 2023 ACS data, approximately 7 to 8% of total eligible members are assumed to meet the secondary education qualifying activity criteria.

Enrollment trend

Enrollment growth for the Palmetto Pathways to Independence waiver is estimated at approximately 1% per year through the end of the projection period, subject to the enrollment cap. This trend is consistent with the overall population growth of South Carolina based on U.S. Census data from CY 2017 through CY 2022.

Cost Estimates per Member

The per capita expenditures for the Palmetto Pathways to Independence waiver population are developed from the state fiscal year (SFY) 2025 projected expenditures for individuals currently enrolled in the South Carolina 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 (CBO) Medicaid expenditures projections.

Table 4 illustrates year one through year five PMPM projections for the Palmetto Pathways to Independence waiver population.

Table 4: 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 |

Pent-up Demand

This analysis assumes that the populations who have not had recent full Medicaid coverage (e.g., TMA coverage or 12 months postpartum coverage) have experienced barriers that restricted use of medical services through higher member cost sharing or lack of insurance coverage. As a result, upon receiving Medicaid coverage, it is anticipated that these members will utilize services at higher rates, at least initially. Additionally, this analysis assumes that the most acute members would likely enroll first and the healthier members may be slower to enroll. Higher service utilization related to pent-up demand is assumed to last for 18 months and decrease over time.

Morbidity

Compared to the current Medicaid adult TANF population in South Carolina, it is anticipated that the Palmetto Pathways to Independence waiver population would have lower morbidity. The lower expected morbidity of approximately 15% is driven by the expectation that this population would be healthier than the current adult TANF population in South Carolina due to the higher income.

Expenditure Trend

The per capita expenditures for the Palmetto Pathways to Independence waiver population were projected forward at a rate of approximately 6% per year for the remainder of the projection period, which includes the average historical healthcare inflation and is consistent with the president's trend. This trend rate includes the impact of utilization, mix, intensity, and cost per unit. The trend rate used in the projection assumes that SCDHHS would implement policy actions to maintain trend rates at the assumed levels.

Administrative Expenditures

This analysis assumes SCDHHS' administrative costs are equal to approximately 3.5% of healthcare expenditures, consistent with the assumed long-term administrative costs. An additional 2% in administrative costs is applied to the first two years (SFY 2027 and SFY 2028) to account for higher costs initially as SCDHHS administers a new program. Administrative expenditures reflect estimated expenses related to SCDHHS's ongoing administration of the Palmetto Pathways to Independence waiver program. Start-up and implementation expenses are not included in these estimates.

State Directed Payments (SDPs)

The SDP programs effective in SFY 2025 are assumed to apply to the Palmetto Pathways to Independence waiver population at a PMPM cost consistent with the TANF Adult and TANF SMI rate cells assumptions in the current Medicaid program. Expenses related to SDPs are assumed to increase at an annual rate of 6%, consistent with the president's trend. Please note, CMS requires that SDPs are submitted and approved annually. As such, components of SDP programs design may change prior to the implementation of the Palmetto Pathways to Independence waiver program.

Section 10: List of Proposed Waivers and Expenditure Authorities

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.

Section 11: Public Notice and Comments

In accordance with 42 CFR section 431.408, SCDHHS provided the public and other interested parties with the opportunity to review and provide input on the waiver through a formal, 30-day public notice and comment process which ran from April 30, 2025, to May 31, 2025. During this time, the state also held two dedicated public hearings, one of which was held at a Medicaid Advisory Commission (MAC) meeting where meetings are open to the public.

Public Notice

The state verifies that beginning on April 30, 2025, SCDHHS formally began the public comment period and published public notice of the waiver application in the state's major newspapers with widest circulation in each city with a population of at least 100,000, specifically *The State*, the *Greenville News* and the *Post and Courier* newspapers. The full public notice was also published on a dedicated webpage on the SCDHHS website. In addition, the state used an electronic mailing list, comprised of nearly 220,000 interested individuals and organizations, to notify the public of the waiver, hearings, and opportunity to comment on the waiver draft. To encourage feedback and compliance with accessibility, a copy of the draft waiver was also made accessible at a public web link and available in hard copy format as well.

A copy of the full public notice is attached as Appendix C and a copy of the abbreviated public notice document is attached as Appendix B. Both documents are also available for viewing on the state's website: <https://www.scdhhs.gov/CEwaiver>

Written comments on the proposal were accepted electronically or through the mail:

1. Email to CEWaiver@scdhhs.gov, referencing “Palmetto Pathways to Independence” in the subject line

2. Mail to:

South Carolina Department of Health and Human Services
Re: Palmetto Pathways to Independence Waiver
P.O. Box 8206
Columbia, South Carolina 29202

The state held two public hearings for interested parties to learn more about the waiver application, ask questions, and provide public comments. The public hearings were both available virtually at the following dates, times, and locations. Individuals were also invited to attend the hearing held on May 6 in person. Individuals with disabilities who required special accommodation in order to attend these public meetings were able to contact SCDHHS directly to ensure that any necessary accommodation could be provided.

| Public Hearing #1 | Public Hearing #2 |
|---|--|
| May 6, 2025 9:30 AM 1801 Main Street Columbia, South Carolina 29201 Multipurpose Room A/B This meeting was a hybrid meeting with people attending in person and virtually. Individuals who were attending virtually could join the public hearing via a Microsoft Teams meeting link. | May 13, 2025 10:00 AM This meeting was held virtually. The public were invited to join the public hearing via a Microsoft Teams meeting link. |

Tribal Consultation

South Carolina has one federally recognized tribe in the state, the Catawba Indian Nation. On March 28, 2025, SCDHHS sent public notice of the waiver application to the representative of the federally recognized tribe in accordance with 42 CFR § 431.408, with the option to schedule a separate tribal consultation to discuss the waiver. A second notification was sent to the Catawba Indian Nation on April 30, 2025, communicating the start of the public notice period with a link to the demonstration waiver draft application. SCDHHS provided presentations to the Catawba Indian Nation during regularly scheduled monthly calls on March 26, 2025, and April 30, 2025. Participants on the monthly calls did not have questions or comments. A copy of the formal correspondence sent to the Catawba Indian Nation soliciting input on the waiver application can

be found in *Appendix D*. The state remained in communication with the tribe regarding the program design.

Public Comment Summary

A total of 188 public comments, including questions about the waiver, were recorded during the public comment period. The majority of comments, 161, were received in writing, while 27 comments and questions were noted during the two public hearings. The majority of comments, 165, were received from interested citizens, while 23 comments were from individuals representing associations or organizations.

Of the 188 comments received:

- 89 commentors were opposed to the waiver
- 63 commentors were in support of the waiver
- 36 comments and questions were unclear in their support or opposition to the waiver

Public Comment Summary and Themes

The table below summarizes major themes in the public comments received. Note that comments were not limited to one theme, therefore, one comment may count for multiple themes.

| Count of Comments | Public Comment Themes | Summary Description |
|-------------------|--|---|
| 4 | Administrative Burden and Cost | Commentors note that the community engagement criteria could add administrative burden and cost to the program. |
| 8 | Enrollment Cap | Commentors asked the state to consider removing the enrollment cap. |
| 9 | Exemptions | Commentors asked the state to consider adding specific exemption criteria. |
| 16 | Interested in Coverage | Commentors indicated an interest in gaining coverage through the new program. |
| 86 | Limited Waiver Population | Commentors noted that the target population for the waiver was very limited. Of the eighty-six comments in this thematic category, seventy-two used identical language. |
| 88 | Oppose Community Engagement Requirements | Commentors noted their opposition to any community engagement requirements tied to Medicaid eligibility, including to a new pathway to eligibility program. |
| 6 | Presumptive Eligibility | Commentors asked the state to consider allowing presumptive eligibility for individuals in this program. |
| 23 | Policy/Coverage Questions | Commentors asked various questions about the program. |
| 1 | Procedural Comment | Commentor raised concern with public notice |

| | | |
|----|--|---|
| | | process. |
| 6 | Program Operations | Commentor provided input on how the state may want to operationalize the program to be efficient and effective. |
| 19 | Proposed Changes to the Waiver Application | Several policy changes were suggested. Details are noted below. |
| 30 | Supports Working Families | Commentors noted the benefits of healthcare access for low-income working families. |

State Response to Comments

A detailed summary of all public comments received is provided below. This summary is organized by theme and includes the state's response to those comments.

Administrative Burden

Comment Summary:

Four commentors asserted that implementing the waiver and monitoring individual employment activity would be costly to the state.

State Response:

SCDHHS appreciates this comment and is working to create an implementation plan that is the least administratively burdensome for both Healthy Connections Medicaid members and applicants and the state. Specifically, SCDHHS plans to build upon data matching capabilities that exist within the current eligibility system and automate compliance monitoring as much as possible. While the specific operational details for monitoring compliance will be developed after waiver approval, SCDHHS is committed to aligning with existing policy and procedures to the greatest extent possible to gain efficiency in operations.

Enrollment Cap

Comment Summary:

Eight commentors requested the state remove the enrollment cap and allow all qualifying individuals to be enrolled in the program.

State Response:

SCDHHS is committed to fiscal responsibility and operating the program within the funding that is available. Enrollment projections indicate that it will take five years to hit full enrollment.

Exemptions

Comment Summary:

Nine commentors suggested the state add exemption criteria to the waiver including exemptions for (i) individuals who are the primary caregiver of a child and/or disabled adult, (ii) individuals with disabilities, (iii) those with transportation difficulties, and (iv) American Indian and Alaska Natives. One commentor provided an extensive list of exemptions that align with exemption listings that typically apply to programs that are inclusive of the Medicaid expansion population and are not reflective of the parent and

caretaker target population for this waiver.

State Response:

This demonstration waiver seeks to implement a new program specifically designed to provide a new coverage pathway for low-income working families whose income is currently too high to qualify for Medicaid, but too low to qualify for federal subsidies in the federal marketplace. The program is designed to be a targeted benefit to support working families.

Interested in Coverage

Comment Summary:

Sixteen commentors expressed an interest in gaining coverage under the waiver program and asked various questions about how to apply and when coverage would begin.

State Response:

SCDHHS is pleased with the interest individuals have shown in the program and the number of individuals who are interested in coverage. The state will provide the public with information about the start date and how to apply for coverage following waiver approval. After CMS approval, SCDHHS will develop a communications and implementation plan that clearly lays out timing, content, and the methodology by which participants will be notified of program changes.

Limited Waiver Population

Comment Summary:

Eighty-six commentors noted that the target population for the waiver was very limited as it targets only parents with income between 67%-100% of the federal poverty level. Of the 86 comments, 72 used identical language. One commentor indicated that it was unfair to only allow parents to gain coverage.

State Response:

SCDHHS designed this program to specifically target individuals currently enrolled in the PCR Medicaid coverage group who could otherwise lose their Medicaid coverage if their income increases due to employment.

Oppose Community Engagement Requirements

Comment Summary:

Eighty-eight commentors noted their opposition to community engagement requirements being tied to Medicaid eligibility. They noted that many individuals in this population do work but that some individuals are unable to work for various reasons including medical issues, transportation issues, or being a full-time caregiver. Of these 88 comments, 72 used identical language.

State Response:

As stated above, the Palmetto Pathways to Independence program is intended to remove financial disincentives for employment that exist within the current Medicaid program. By maintaining a community engagement requirement for participation, the program aims to reinforce the proven link between improved economic self-sufficiency and improved health by leveraging the Medicaid program's financing mechanisms to remove health-related barriers to employment by eliminating the disincentives to employment created by

the current ACA coverage gap.

Presumptive Eligibility

Comment Summary:

Six commentors requested the state remove the waiver of presumptive eligibility. Another commentor requested confirmation that the waiver of presumptive eligibility would not impact other eligibility groups.

State Response:

SCDHHS confirms that this waiver would not impact the current operations of presumptive eligibility for individuals in other eligibility categories and would apply only to the individuals who are found eligible for this waiver. Presumptive eligibility is not consistent with the criteria of the waiver as individuals must prove compliance with community engagement activities before they can be found eligible for the demonstration waiver.

Procedural Comment

Comment Summary:

One commentor noted that they believe the public hearings were deficient and kept individuals from an opportunity to provide input, requesting public hearings be re-opened.

State Response:

SCDHHS affirms the two public hearings, and the public notice process, were held in compliance with the standards established in 42 CFR section 431.408. During the public comment period, the state received 188 comments, demonstrating that individuals were made aware of the public notice and were able to provide meaningful comment during the public comment period.

Program Operations

Comment Summary:

Six commentors provided suggestions for how to operationalize the program and monitoring practices. Some called for removal of the requirement to report on work activities, another suggested that the state allow grace periods for reporting and reduction in the consequences for non-compliance, another commentor suggested that the state provide a clear and detailed list of the required documentation.

State Response:

SCDHHS thanks individuals for their comments and notes that many of these operational decisions will be developed in consultation with CMS as the waiver application is under review. SCDHHS will document program operational components in the required protocol documents for CMS review post-approval. A clear and detailed list of required documentation will be included on the agency's website and distributed through the communications and implementation plan described above.

Supports Working Families

Comment Summary:

Thirty commentors noted a range of benefits that can come from providing low-income families access to health care coverage. Benefits noted include the ability to stay healthy

and continue to work, peace of mind in knowing they have access to health care, economic stability, and the ability to maintain their health. Several commentors expressed that low-income families face many challenges, and this benefit would help to alleviate some of those challenges.

State Response:

SCDHHS thanks commentors for highlighting the numerous benefits of providing low-income working families with access to health care coverage.

Section 12: Demonstration Administration

As Director of SCDHHS and State Medicaid Director, Eunice Medina is the executive sponsor of this waiver application. The deputy director for health programs is charged with the execution of the waiver application and the implementation of the resulting benefit changes.

The SCDHHS point of contact for this demonstration waiver application is as follows:

- Name and Title: Margaret Alewine, Chief of Policy
- Telephone Number: 803-898-0047
- Email Address: margaret.alewine@scdhhs.gov

Appendix A. Budget Neutrality Calculation

Budget Neutrality Demonstration With and Without Waiver 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 |
|-------------------------------|------|------|------|------|------|------|

Appendix B. Abbreviated Public Notice

The Palmetto Pathways to Independence waiver seeks to provide a health care coverage pathway for families whose income is currently too high to qualify for full-benefit South Carolina Healthy Connections Medicaid coverage 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). 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.

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 parent caretaker relative (PCR) coverage group and have an income that is 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.

In accordance with federal regulation (42 CFR § 431.408), the South Carolina Department of Health and Human Services (SCDHHS) provided the public and other interested parties with the opportunity to review and provide input on the waiver through a formal, 30-day public notice and comment process which ran from April 30, 2025, to May 31, 2025. The draft of the Palmetto Pathways to Independence waiver can be found below.

The state will also hold two public hearings for interested parties to learn more about the waiver application, ask questions, and provide public comments. The public hearings will be held at 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 accommodation can be provided.

| Public Hearing #1 (In Person and Virtual) | Public hearing #2 (Medicaid Advisory Committee Meeting - Virtual) |
|--|--|
| May 6, 2025, 9:30 a.m. South Carolina Department of Health and Human Services 1801 Main Street, Multipurpose Room A/B Columbia, SC 29201 Register Here | May 13, 2025, 10 a.m. Register Here |

Appendix C. Full Public Notice

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

Wednesday, April 30, 2025

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 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.

| Public Hearing #1 (In Person and Virtual) | Public Hearing #2 (Medicaid Advisory Council Meeting - Virtual) |
|--|---|
| 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 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 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 | Administrative data: Members reporting GED preparation-related activities for their community engagement hour requirements. Members reporting college |

| Hypotheses | Methodology | Performance Measure |
|--|--|--|
| | and training. | education activities for their community engagement hour requirements. Members reporting vocational education and training activities 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

Appendix D. Tribal Notice Letters

March 27, 2025

Catawba Indian Nation
Attn: Chief Brian Harris
996 Avenue of the Nations
Rock Hill, South Carolina 29730

Subject: Community Engagement Section 1115 Demonstration Waiver

Dear Chief Harris:

On behalf of the state of South Carolina, and in keeping with the responsibility to conduct tribal consultation, I am writing to inform you that the South Carolina Department of Health and Human Services (SCDHHS) intends to submit a Section 1115 Demonstration Waiver to the Centers for Medicare and Medicaid Services (CMS).

The Section 1115 Demonstration Waiver will create a new coverage pathway for families whose income is currently too high to qualify for Medicaid but too low to qualify for federal subsidies in the federal marketplace. Specifically, this demonstration waiver, the Palmetto Pathways to Independence program, will provide a new eligibility pathway for individuals who meet the definition of parent caretaker relative (PCR) and have an income that is at or above 67% of the federal poverty level (FPL) and up to 95% FPL with a 5% disregard. This will effectively include individuals between 67 and 100% of FPL. The demonstration seeks to build a state-specific solution to eliminate the financial disincentives for employment that currently exist due to the Patient Protection and Affordable Care Act's (ACA) all-or-nothing approach to Medicaid expansion by allowing certain families to continue to receive Medicaid coverage until they reach an income of 100% of FPL and become eligible for subsidized federal marketplace coverage.

In order to qualify for this new eligibility pathway, individuals must meet community engagement activity requirements by participating in a qualifying activity for a minimum of 80 hours per month. Since the intent of the waiver is to remove disincentives for employment that exist in the current program for Medicaid-enrolled parents and caretaker relatives, maintaining employment or other forms of community engagement is a critical component of the Palmetto Pathways to Independence program. Community engagement activities will 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.
- 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.
- Compliance with Unemployment Insurance (UI) work-search requirements (first 16 weeks of UI benefits).
- For dual Medicaid-SNAP/TANF members, demonstrated compliance with SNAP community engagement standards.

- Caregiving for a non-dependent relative with a chronic, disabling health condition.
- Being the primary caregiver for a dependent child up to age 18.
- Community or public service, including verifiable volunteerism with public entities or qualified charitable corporations.
- Participation in/compliance with medically necessary substance use disorder (SUD) treatments.
- Active participation in medically necessary Assertive Community Treatment (ACT), Intensive Outpatient, or Partial Hospitalization behavioral health services; 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.

The program will allow for exceptions to community engagement participation for individuals who meet the following criteria:

- The member or an immediate family member experiences hospitalization or a serious illness and as a result, is unable to fulfill the qualifying hours and activities.
- The member experiences a short-term injury or illness and as a result, is unable to fulfill the qualifying hours and activities.
- The member experiences the birth, adoption, or death, of an immediate family member.
- The member accepts a foster child placement, including those in kinship care.
- The member experiences a natural or human-caused disaster (including a state of emergency declaration or public health emergency declared by the state in the county the person resides) and as a result, is unable to meet the requirements.
- The member has a family emergency or other life event (e.g., divorce, civil legal matter, or is a victim of domestic violence) and as a result, is unable to fulfill the hours and activities requirements.
- The member is temporarily homeless and as a result, is unable to fulfill the hours and activities requirements; and
- Other good cause reason(s) as defined and approved by the state.

The waiver application will be on the agenda for the Catawba monthly conference call on March 26, 2025 and I look forward to meeting with you at that time to discuss this proposal.

The complete waiver application and notice of public hearings will be posted on the agency's website for comment in April, 2025. SCDHHS will send out a notice to let you know when the application has been posted and to provide a link to the application on our website. Public hearings will be held in accordance with federal rules. Tribal consultation on the proposed waiver application coincides with the public comment period.

SCDHHS anticipates submitting the waiver application by July 1, 2025. If any additional changes are required to the waiver, the agency will assess the impact of these changes on the waiver application timeline and inform you accordingly.

Lastly, as noted above, we intend to include specific qualifying activities for individuals who are members of the Catawba Nation in order to recognize the unique programs and community

engagement opportunities that may be available to them. We look forward to further defining this and working with you in the coming months on this important program.

Sincerely,



Eunice Medina
Director

April 30, 2025

Catawba Indian Nation
Attn: Chief Brian Harris
996 Avenue of the Nations
Rock Hill, SC 29730

Subject: Community Engagement Section 1115 Demonstration Waiver

Dear Chief Harris:

On behalf of the State of South Carolina Department of Health and Human Services (SCDHHS) and in keeping with the responsibility to conduct tribal consultation, I am writing to inform you that SCDHHS has started the public comment period for the Section 1115 demonstration waiver titled "The Palmetto Pathways to Independence" that will be submitted to the Centers for Medicare and Medicaid Services (CMS). The demonstration application is attached and can also be found online at www.scdhhs.gov/cewaiver.

As we first notified you on March 26, 2025, the new Section 1115 demonstration waiver will create a coverage pathway for families whose income is currently too high to qualify for 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 Patient Protection and Affordable Care Act's (ACA) all or nothing approach to Medicaid expansion. 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 67% to 95% of the federal poverty level (FPL) with a 5% disregard, effectively including individuals between 67%-100% FPL.

South Carolina's goals for the demonstration are to incentivize employment and close the health care coverage gap created by the 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.

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;
- 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.

The state welcomes comments on the Palmetto Pathways to Independence waiver program from tribal leaders and communities. Please submit comments to SCDHHS on the proposed demonstration before the end of the comment period on May 31, 2025.

If you would like to arrange an in-person meeting or discussion regarding the waiver application, please reach out to Margaret Alewine, Chief of Policy at (803) 898-0047 or margaret.alewine@scdhhs.gov.

Sincerely,



Eunice Medina
Director