

# South Carolina Waivers: Palmetto Pathways to Independence and Healthy Connections Works Demonstrations

On December 12, 2019, South Carolina received approval from the Center for Medicare & Medicaid Services (CMS) for two demonstrations authorized under Section 1115 of the Social Security Act: South Carolina Healthy Connections Works and South Carolina Palmetto Pathways to Independence through November 30, 2024. The Healthy Connections Works demonstration applies work and community engagement requirements to parents and caretakers already eligible under the state plan and to beneficiaries receiving transitional medical assistance (TMA).<sup>1</sup> The Palmetto Pathways to Independence demonstration expands Medicaid eligibility to parents and caretaker relatives to those with income at or below 95 percent of the federal poverty level (FPL). It also provides temporary coverage to a capped number of other adults age 19 through 64 who meet certain criteria, such as being chronically homeless or in need of substance use disorder (SUD) treatment services. The demonstration also applies the work and community engagement requirement to these newly eligible members.

The information in this fact sheet is current as of June 2020. However, the Biden Administration withdrew approval for the Healthy Connections Works demonstration on August 10, 2021 (CMS 2021a). While the Administration also withdrew approval for work and community engagement requirements in the Palmetto Pathways to Independence demonstration, other elements of the demonstration remain in effect (CMS 2021b).

## Demonstration Goals

In its application to CMS, the state noted that the overarching goal of the demonstration is to improve the health and well-being of qualified Medicaid beneficiaries. It cited three additional objectives, to connect individuals with resources designed to assist them with employment training and other community engagement activities, assist individuals moving from Medicaid to other health insurance, and reduce the number of individuals dependent on Medicaid.<sup>2</sup>

## Populations

The Healthy Connections Works waiver applies work and community engagement requirements to previously eligible parents and caretaker relatives (those with income up to and including 62 percent FPL) and to individuals receiving TMA.<sup>3</sup>

The Palmetto Pathways to Independence waiver extends coverage to two new eligibility groups not otherwise eligible for Medicaid in South Carolina. First, it expands eligibility for parents and caretaker



relatives to those with incomes from 62 percent FPL up to and including 95 percent FPL. Second, it creates a new targeted adult group, comprised of adults age 19 through 64 with no dependent children who meet specific criteria (Table 1).

## Eligibility and Enrollment

The Palmetto Pathways to Independence demonstration extends coverage to a subset of individuals, in addition to adding work and community engagement requirements for all included populations.

### Eligibility for targeted adults

The Palmetto Pathways to Independence demonstration expands coverage to a capped number of individuals age 19 through 64, referred to as the targeted adult group. This group is made up of three subgroups: individuals who are chronically homeless, individuals involved in the criminal justice system and in need of substance use or mental health treatment, and other individuals who have been diagnosed with SUD or serious mental illness, including pregnant women and parents of foster children.

The state may close enrollment in the targeted adult group if enrollment reaches the specified cap, but will continue to take applications and maintain a waiting list to automatically enroll individuals when space becomes available. Each of these subgroups is subject to different eligibility requirements and separate enrollment caps. (Table 1). The state can also choose to prioritize enrollment for individuals diagnosed with opioid use disorder.

Enrollment is not capped for other demonstration populations (i.e., extended coverage for parents and caretaker relatives in the Palmetto Pathways to Independence demonstration, and state plan parents and caretakers and TMA beneficiaries in the Healthy Connections Works demonstration).



**TABLE 1.** Targeted Adult Groups in the Palmetto Pathways to Independence Demonstration

Subgroup	Income eligibility threshold	Additional eligibility criteria	Enrollment cap
Individuals experiencing chronic homelessness	0 percent FPL	Must consent to referral and application for other benefits if available (e.g., benefits offered by the VA or SSA)	3,000
Individuals involved in the criminal justice system and in need of SUD or mental health treatment	95 percent FPL	Must consent to a health and social determinants screening and risk assessments and agree to a risk mitigation plan prior to release	5,000 active beneficiaries plus up to 20,000 incarcerated beneficiaries whose Medicaid eligibility is in a suspended status prior to release
Individuals in need of SUD treatment	95 percent FPL	None	5,000
Women who are pregnant or up to 12 months postpartum and have been diagnosed with SUD or SMI	194 percent FPL	None	500
Parents of foster children who are in need of substance use treatment	133 percent FPL	Must have not had their parental rights terminated and must be completing or complying with an SUD treatment program as part of a family reunification plan	500

**Notes:** FPL is federal poverty level. SMI is serious mental illness. SUD is substance use disorder. SSA is the Social Security Administration. VA is the Veterans Administration. Individuals experiencing chronic homelessness include those who have been continuously homeless for at least 12 months, experienced four episodes of homelessness greater than 30 days in the last three years, or are currently in supportive housing but have previously met the criteria for chronic homelessness. Individuals involved in the criminal justice system include those who have been released from a South Carolina Department of Corrections facility within the preceding six months. Individuals in need of substance use treatment include those diagnosed with SUD. Income eligibility thresholds are in addition to the 5 percent income disregard, meaning they are effectively 5 percentage points higher than shown in this table.

**Source:** CMS 2019a, b.

Beneficiaries who are actively engaged in SUD treatment at the end of the 12-month period will have coverage extended for another 12 months. Those that are not will be disenrolled but can regain coverage for another 12-month period if they reapply and there is no waiting list.



## Work and community engagement requirements

South Carolina is authorized to implement work and community engagement requirements on or after December 12, 2020 for targeted adults, parents and caretaker relatives, and TMA beneficiaries.<sup>4</sup> Once the requirements take effect, new applicants must be exempted or compliant in order to be enrolled in Medicaid. Beneficiaries who are already enrolled must be exempted or compliant at the time of redetermination in order to remain enrolled.

Non-exempt beneficiaries must participate in work or other qualifying activities for 80 hours per month (Table 2). Beneficiaries determined to meet these requirements through employment at the time of application need only report that information again at their redetermination. Otherwise, beneficiaries must report compliance once every 90 days, including those who newly meet the requirement through employment at some point after enrollment. Beneficiaries that participate in qualifying activities for more than 80 hours in a given month may apply any additional hours to other months within the same quarter.

**TABLE 2.** South Carolina Work and Community Engagement Requirements: Exempt Populations and Required Tasks

Exempt populations	Required tasks for non-exempt populations
<p>Applicants and beneficiaries who:</p> <ul style="list-style-type: none"> <li>• are receiving SSI or SSDI;</li> <li>• are qualified as working disabled;</li> <li>• are primary caregivers of a child up to age 18 or a disabled adult;</li> <li>• have been identified as medically frail;</li> <li>• are members of federally recognized tribe;</li> <li>• have been diagnosed with an acute medical condition that prevents them from complying with the requirement (as verified by a medical profession);</li> <li>• are participating in and exempt from SNAP or TANF employment requirements;</li> <li>• are participating in a Medicaid-covered treatment program for alcohol or substance abuse addiction;</li> <li>• are pregnant or 365 days or fewer postpartum; or,</li> <li>• are residing in regional areas experiencing an unemployment rate of 8 percent or greater or when the statewide unemployment rate is 8 percent or greater.</li> </ul>	<p>Required participation in 80 hours per month of some combination of the following:</p> <ul style="list-style-type: none"> <li>• participation in and compliance with SNAP or TANF employment requirements;</li> <li>• participation in an adult secondary education program through a public school district or technical college, including GED programs;</li> <li>• at least half-time enrollment in a degree-or certificate-seeking program in accredited institution of higher education;</li> <li>• compliance with UI work-search requirements;</li> <li>• subsidized or unsubsidized employment;</li> <li>• participation in a tribal work program; and</li> <li>• community or public service.</li> </ul>

**Notes:** GED is General Educational Development. SNAP is supplemental nutrition assistance program. SSDI is social security disability insurance. SSI is supplemental security income. TANF is temporary assistance for needy families. UI is unemployment insurance.

**Source:** CMS 2019a, b.



**Penalties for non-compliance.** Individuals who are not in compliance with work and community engagement requirements at the time of application for Medicaid are denied eligibility for Medicaid. The state will suspend eligibility for enrolled beneficiaries who fail to comply on the first day of the month following notification of non-compliance. Beneficiaries who report a good cause circumstance that prevented them from meeting the requirements in any given month may be considered compliant for that month, and may report a good cause up to one day before facing suspension.<sup>5</sup>

Beneficiaries who have been suspended can reactivate their coverage if they come back into compliance or become eligible for an exemption. There is no lock-out period: coverage will be effective the first day of the month in which the beneficiary notified the state of compliance or in which the exemption occurred. Beneficiaries who remain in suspended status at the time of their redetermination will be disenrolled, and will have to reapply for Medicaid if they wish to reenroll.

**State assurances.** South Carolina must make a number of assurances prior to implementing the work and community engagement requirements, including maintaining a mechanism to stop payments to managed care organizations following disenrollment, ensuring timely and adequate beneficiary notices, and developing an outreach strategy to inform beneficiaries of how to report compliance, good cause exemptions, or changes in circumstance. South Carolina must also ensure that there are processes in place to seek data from other programs, including with the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families, to ensure that beneficiaries do not have to report compliance information to multiple programs. Furthermore, the state must provide appeal and due process mechanisms; make good faith efforts to connect beneficiaries to existing community supports (e.g., non-Medicaid transportation assistance, child care, and language services); screen individuals for all other Medicaid eligibility groups before suspending or denying eligibility; provide information on how to access free-or low-cost health services to disenrolled or denied individuals; assess areas within the state that have limited employment or educational opportunities to determine further necessary exemptions; and provide reasonable modifications for individuals with disabilities.

South Carolina must submit a draft implementation plan to CMS within 90 days of demonstration approval. The plan must include, at minimum, definitions and parameters of key policies, a description of the state's strategic approach to implementation, and implementation timelines. The state is also required to submit a monitoring protocol within 150 days after the implementation plan has been approved. The protocol must describe the quantitative and qualitative elements that the state will report through its quarterly and annual monitoring reports. The state must submit an evaluation plan within 180 days that includes discussion of the hypotheses that the state intends to test, and where possible, include both process and outcome measures.

## Premiums and Cost Sharing

There are no premium requirements for the demonstration populations. Any cost sharing requirements the state chooses to implement must be in accordance with federal requirements.<sup>6</sup>



## Benefits

All demonstration populations will receive the state plan benefit package.

## Delivery System

Targeted adults will receive services through fee for service. Other beneficiaries will receive services through the same managed care and fee-for-service arrangement currently used in the state.

### Endnotes

<sup>1</sup> TMA is available to Medicaid beneficiaries who lose coverage due to an increase in household income. The purpose of TMA is to promote employment and continuity of coverage by allowing low-income Medicaid beneficiaries to temporarily retain Medicaid as their income fluctuates. For more information on TMA, see MACPAC's issue brief *The role of Medicaid in supporting employment* and Chapter 2 of MACPAC's March 2014 Report to Congress, *Promoting continuity of Medicaid coverage among adults under age 65* (MACPAC 2018, 2015).

<sup>2</sup> South Carolina did not request a coverage expansion through its formal demonstration application. In its approval of the Palmetto Pathways to Independence program, CMS notes that the demonstration is designed to extend medical assistance to beneficiaries as they move towards greater independence through community engagement.

<sup>3</sup> In South Carolina, up to 24 months of TMA is available to individuals with income up to and including 185 percent FPL who lose Medicaid eligibility under the parent and caretaker pathway due to an increase in earnings, an increase in the number of hours worked, or the addition of a parent or caretaker relative with earned income (SCDHHS 2016).

<sup>4</sup> Exemptions, requirements, penalties, and other policies and procedures are the same for all demonstration populations, regardless of whether they are included in the Healthy Connections Works demonstration or the Palmetto Pathways to Work demonstration.

<sup>5</sup> The state has discretion to determine when a beneficiary has demonstrated good cause for not meeting requirements, but must do so, at minimum, for beneficiaries who are unable to meet the requirements due to their or a family member's disability, hospitalization, or serious illness; beneficiaries who experience the birth, or death of a family member living within their home, severe inclement weather, a family emergency or other life-changing event (e.g. divorce or domestic violence) or a temporary or short-term illness, documented by a clinician.

<sup>6</sup> For more on federal requirements for cost sharing, see MACPAC's fact sheet, *Federal requirements and state options: Premiums and cost sharing* (MACPAC 2017).

### References

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