



HENRY DARGAN MCMASTER
GOVERNOR

January 21, 2025

The Honorable Dorothy Fink M..D.
Acting Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Acting Secretary Fink,

On behalf of the state of South Carolina, I am requesting the U.S. Department of Health and Human Services (HHS) work with the state's Medicaid agency, the South Carolina Department of Health and Human Services (SCDHHS), to approve the authorities necessary to achieve the goals of South Carolina's Healthy Connections Community Engagement Initiative. This important initiative was approved through two Social Security Act Section 1115 demonstration waivers by Centers for Medicare and Medicaid Services (CMS) Administrator Seema Verma during President Trump's previous administration on Dec. 12, 2019. SCDHHS paused implementation of the initiative during the COVID-19 federal public health emergency (PHE) to comply with the Families First Coronavirus Response Act. During President Biden's administration, CMS Administrator Chiquita Brooks-LaSure withdrew the approval of the waivers on Aug. 10, 2021, denying SCDHHS the authority to implement this important initiative.

South Carolina pursued the Section 1115 waivers that made up its Healthy Connections Community Engagement Initiative to close the health care coverage gap created by the Patient Protection and Affordable Care Act (ACA) and incentivize employment among its citizens. Under the ACA, adults are eligible for subsidized health care coverage on the federal exchange when their earnings reach the federal poverty level. However, Medicaid coverage ends for many working parents at a threshold that is below the federal poverty level. This flawed structure created a health care coverage gap that disincentivizes many low-income families from earning additional income. This presents working families with an undesirable choice: earn additional income to support their family or lose their healthcare coverage.

South Carolina has rejected Medicaid expansion and the massive growth of entitlement program spending that is associated with it. Our prudence in rejecting Medicaid expansion has allowed the state to pursue other endeavors, such as investing in the state's behavioral health programs and infrastructure, teacher's pay, and job training programs; while also lowering taxes and producing annual budget surpluses. Rather than work with SCDHHS to implement its responsible approach to improving outcomes for South Carolina's citizens outside of Medicaid expansion, the Biden administration sought to single-mindedly pressure states into expanding Medicaid under the ACA. CMS' leadership discredited the benefits of

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encouraging self-reliance and engagement for both individuals and our communities as a whole. In its Aug. 10, 2021, letter to SCDHHS, CMS cited “the ongoing disruptions caused by the COVID-19 pandemic” as its rationale for withdrawing the approval of the Healthy Connections Community Engagement Initiative. While other states may have forced disruptions to their communities and economy during the response to the COVID-19 pandemic, South Carolina did not. South Carolina’s economy remained open for business and the state’s employers and job market have continued to flourish.

Granting South Carolina the authorities necessary to reinstitute this initiative will strengthen the Medicaid program’s dual missions of financing health services and improving opportunities for independence, self-reliance and prosperity for the state’s citizens. South Carolina seeks to achieve this through closing the ACA’s health care coverage gap by opening an eligibility path for Healthy Connections Medicaid members who are covered through the parent/caretaker relative eligibility category. This can be done by raising the income threshold to 100% of the federal poverty level if the qualifying Medicaid member completes a qualifying community engagement activity. In approving this request, CMS would create a fiscally responsible avenue that removes the irrational financial disincentives created by the ACA. Instead, this initiative will incentivize employment and the economic, social mobility and improved outcomes for working families that are associated with gainful employment.

For state Medicaid programs to be successful in improving outcomes for the citizens it serves, federal policymakers must be receptive to reasonable recommendations from states on how to administer the program for the betterment of their citizens. I have no doubt that CMS will return to the collaborative relationship we enjoyed with the previous Trump administration. We look forward to working together through a relationship that again balances control in Medicaid and other public assistance programs through a partnership that respects states’ rights and their ability to make sound decisions that best meet the needs of their citizens.

Through this partnership, **I am requesting CMS work with the state of South Carolina to achieve the state’s goals described in this letter by expediting approval of a new Section 1115 waiver that is centered around restoring the “New Coverage for Parents” and “Community Engagement” components of the “Palmetto Pathways to Independence” Section 1115 waiver** that was approved by CMS on Dec. 12, 2019.

Thank you for your thoughtful consideration of this request.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Henry Dargan McMaster".

Henry Dargan McMaster