

March 11, 2021

Via Email:  
Elizabeth Richter  
Acting Administrator  
Centers for Medicare and Medicaid Services  
7500 Security Boulevard  
Baltimore, MD 21244

**Re: Feb, 12, 2021, Healthy Connections Works and Palmetto Pathways to Independence Letters**

Dear Ms. Richter,

Thank you for your Feb. 12, 2021, letters regarding South Carolina's Healthy Connections Works and Palmetto Pathways to Independence Section 1115 demonstration waivers. South Carolina's Healthy Connections Community Engagement Initiative, which is comprised of both waivers that were approved by the Centers for Medicare and Medicaid Services (CMS) on Dec. 12, 2019, is an important public health initiative. The purpose of the initiative is to adopt an innovative approach to promote better health outcomes and financial independence by providing access to resources to the most vulnerable South Carolinians while incentivizing able-bodied South Carolinians to achieve self-sustainability.

The South Carolina Department of Health and Human Services (SCDHHS) believes it is important for CMS to continue to evaluate the Healthy Connections Works waiver along with the Palmetto Pathways to Independence waiver as together the waivers make up SCDHHS' Healthy Connections Community Engagement Initiative. In approving this initiative, CMS cited guidance it issued on Dec. 10, 2012<sup>1</sup>, that encouraged states to pursue initiatives "specifically aimed at promoting healthy behaviors." The guidance issued by then-U.S. Department of Health and Human Services Secretary Kathleen Sebelius also encouraged states to pursue initiatives "that promote value and individual ownership in health care decisions as well as accountability tied to improvement in health outcomes" and noted that "promoting better health and healthier behaviors is a matter of importance to the health care system generally, and state Medicaid programs, like other payers, can shape their benefit design to encourage such behaviors." By incentivizing those who are able to contribute to their community by participating in a wide variety of activities of their own choosing within the scope of what CMS approved through the waivers' special terms and conditions (STCs), the Healthy Connections Community Engagement Initiative seeks to demonstrate it will improve beneficiary health outcomes, increase the financial independence of beneficiaries and strengthen communities across the state.

In addition to its goal of improving health outcomes and strengthening communities, the initiative provides a critical pathway to financial independence for low-income workers by

<sup>1</sup> CMS, *Frequently Asked Questions on Exchanges, Market Reforms, and Medicaid* at 15 (Dec. 10, 2012)

removing the current financial disincentive to earn above 67% of the federal poverty level. The initiative also provides additional health care coverage for those battling substance use disorder and serious mental illness, including pregnant women and new mothers. As the state continues to dedicate resources to address the long-term implications of the coronavirus disease 2019 (COVID-19) pandemic, including a noted uptick in substance use disorder and mental health crises, SCDHHS believes this pathway out of poverty for low-income workers and these targeted resources dedicated to helping those struggling with substance use disorder will have a positive long-term impact on the state's public health, healthcare delivery system and economy.

In the letters dated Feb. 12, 2021, which sought to put the state on notice that CMS is commencing a process of determining whether to withdraw the authorities approved in the Healthy Connections Works and Palmetto Pathways to Independence waivers, CMS did not take exception to the community engagement activities. Rather, it based the potential withdrawal of authorities on the possible denial or loss of Medicaid coverage resulting from an inability to meet the requirements for reasons related to the COVID-19 pandemic and the related impact on economic opportunities.

In correspondence dated Dec. 14, 2020, SCDHHS acknowledged that the Families First Coronavirus Response Act (FFCRA) would preclude SCDHHS from implementing the Healthy Connections Community Engagement Initiative during the federally declared public health emergency. However, while the initiative was developed and approved during a time of unprecedented economic prosperity in South Carolina, the waivers' approved STCs already include an exemption for any individual residing in a regional area that experiences an unemployment rate of 8% or greater. The state, like all states, was impacted by the COVID-19 pandemic but South Carolina's unemployment rate remains well below the national average at 4.6%. Further, only one county, which is how SCDHHS has opted to define "regional area," currently reports an unemployment rate above the threshold set in the STCs.

Given the previous consideration for potential future economic downturns and SCDHHS' previous correspondence regarding the pandemic and compliance with the FFCRA, I do not believe it is necessary to withdraw the initiative. Accordingly, I respectfully request that CMS allow the Healthy Connections Works and Palmetto Pathways to Independence waivers to move forward to achieve our joint goal of improving health outcomes for South Carolina's most vulnerable citizens.

Best Regards,



T. Clark Phillip  
Acting Director and Chief Financial Officer

Cc: Judith Cash, Acting Deputy Director, Center for Medicaid and CHIP Services; William Pak, State Monitoring Lead, Medicaid and CHIP Operations Group; Valisha Andrus, Project Officer, Centers for Medicare and Medicaid Services; Jennifer Kostasich, Deputy Director, Division of Eligibility and Coverage Demonstrations, State Demonstrations Group, Center for Medicaid & CHIP Services