August 8, 2025

The Honorable Robert F. Kennedy
Secretary
U.S. Department of Health and Human Services
200 Independence Ave, SW
Washington, DC 20201

Re: Palmetto Pathways to Independence Demonstration Request

Dear Secretary Kennedy:

Thank you for the opportunity to submit comments on the Palmetto Pathways to Independence Demonstration Request.

The undersigned organizations represent millions of individuals facing serious, acute and chronic health conditions. We have a unique perspective on what individuals and families need to prevent disease, cure illness and manage chronic health conditions. The diversity of our organizations and the populations we serve enable us to draw upon a wealth of knowledge and expertise that is an invaluable resource regarding any decisions affecting the Medicaid program and the people that it serves. We urge the Centers for Medicare and Medicaid Services (CMS) to make the best use of the recommendations, knowledge and experience our organizations offer here.

Our organizations are committed to ensuring that South Carolina's Medicaid program provides quality and affordable healthcare coverage. South Carolina's Pathways to Independence Waiver seeks to provide coverage for and implement work reporting requirements for parents and caretaker relatives with incomes between 67% and 100% of the federal poverty level (FPL), up to a total of 11,400

individuals. The proposed demonstration would only reach a small fraction of the estimated 134,000 individuals who could potentially be eligible for coverage under Medicaid expansion.[1] The design of the demonstration will also prohibit the state from receiving enhanced matching funds for this population.[2]

Our organizations are strongly opposed to South Carolina's proposal to implement work reporting requirements and an enrollment cap for the new proposed eligibility group, as well as the proposal to waive hospital presumptive eligibility. Our organizations urge CMS to reject this request and offer the following comments on the Pathways to Independence Demonstration:

Work Reporting Requirements

Work reporting requirements do not further the goals of the Medicaid program or help low-income individuals find work. The vast majority of those with Medicaid who can work already do so; nationally, 92% of individuals with Medicaid coverage under age 65 who do not receive Social Security disability benefits are either workers, caregivers, students, or unable to work due to illness.[3] Continuous Medicaid coverage can actually help people find and sustain employment. In a report looking at the impact of Medicaid expansion in Ohio, the majority of enrollees reported that being enrolled in Medicaid made it easier to work or look for work (83.5% and 60%, respectively).[4] That report also found that many enrollees were able to get treatment for previously untreated health conditions, which made finding work easier. Additionally, a study in The New England Journal of Medicine found that Arkansas's work reporting requirement was associated with a significant loss of Medicaid coverage, but no corresponding increase in employment.[5] Terminating individuals' Medicaid coverage for non-compliance with these requirements will hurt rather than help South Carolinians search for and obtain employment.

Our organizations are concerned that the current qualifying criteria for this new category completely omits several critical populations, including individuals with, at risk of, or in the process of being diagnosed with, serious and chronic health conditions that prevent them from working. For these patients, lack of access to healthcare can worsen health outcomes, making it more difficult to manage their disease and work in the future. The proposal additionally omits individuals with disabling mental health disorders, individuals with disabilities, including veterans, and inmates exiting incarceration. However, even with broader criteria, additional processes to determine patient eligibility and participation in program requirements inherently create opportunities for administrative errors that jeopardize people's coverage. This is exactly what happened when Arkansas implemented a work reporting requirement – as one study found, "more than 95% of persons who were targeted by the policy already met the requirement or should have been exempt. Many Medicaid beneficiaries were unaware of the policy or were confused about how to report their status to the state, which suggests that bureaucratic obstacles played a large role in coverage losses under the policy."[6] No criteria can circumvent these problems and the serious risk to the health of people with chronic and serious health conditions.

Our organizations are concerned by the cost to implement this waiver. There will likely be large administrative costs to the state given the complexity of tracking work activities and having a system in place to identify and track exemptions. For example, a GAO study of work reporting requirements estimated that the administrative costs could be up to $272 million.[7] South Carolina's Medicaid program is likely unprepared for the cost and administrative disruption of the proposed requirements.

Furthermore, our organizations are concerned by this demonstration's similarity to Georgia's Pathways to Coverage Program, which has clearly failed patients in Georgia. This program had only enrolled 8,633 individuals as of July 2025,[8] a small fraction of the estimated 336,000 individuals who could potentially

be eligible for coverage under Medicaid expansion.[9] In addition, the first year of implementation left Georgia with a backlog of 14,000 unprocessed applications and an average of 54% of applications being processed past the 45-day standard.[10] Georgia spent over $86 million within the first year of implementing the Georgia Pathways to Coverage Program, despite the low enrollment, and it is estimated that three quarters of this was for administrative and consulting costs.[11]

Finally, South Carolina's proposal does not align with the work reporting requirements specified by Public Law 119-21, and the Secretary does not have the authority to waive these specifications. States may only use Section 1115 demonstrations to enact work reporting requirements earlier than 2027 if those demonstrations comply with the provisions of the law. South Carolina's current waiver proposal differs from these specifications in numerous ways. For example, federal law exempts parents, guardians, caretaker relatives, or family caregivers of a dependent child age 13 or under, however, South Carolina's proposal explicitly targets parents and caretakers and does not offer any exemptions for those caring for young children. As identified above, the proposal neglects several other exemption groups identified in P.L. 119-21, including individuals with mental and physical disabilities and inmates exiting incarceration. In addition, the law requires states to use available data to evaluate compliance with a work reporting requirement, including using wage data as a proxy to verify compliance. However, South Carolina's proposal has no clearly defined process for compliance verification and is unclear on how individuals will be able to demonstrate compliance or address inaccuracies if data sources fail to verify their eligibility. If the state wants to implement work reporting requirements before the statutory effective date of January 1, 2027, the Secretary should require that the state revise its amendment to comply with P.L. 119-21 and seek comment on the revised application at the state level (consistent with 42 C.F.R. 431.408) prior to resubmitting to CMS.

Enrollment Cap

Our organizations are strongly opposed to South Carolina's proposed enrollment cap for the new eligibility group. The state's proposed cap of 11,400 individuals does not promote the objectives of Medicaid and should not be approved. All adults at up to 138% of the FPL are a state plan Medicaid population for which there is no authority to cap enrollment, and implementing a cap would be contrary to the Medicaid entitlement guaranteed by law. The proposed cap is an arbitrary, harmful policy that limits coverage based on who hears about the program first and files their application the fastest. The state estimates that there are 17,700 South Carolinians who will potentially qualify for the new eligibility group, meaning thousands of otherwise eligible individuals will be relegated to a waitlist for coverage. For patients in active treatment for a serious condition, being forced to wait for coverage and lifesaving treatment can have devastating health outcomes.

This policy would also likely contribute to significant churn, where individuals lose coverage due to deemed non-compliance with the work reporting requirements, and then are required to re-apply for coverage, where they are placed on a waiting list of potentially thousands of individuals prior to moving back onto coverage. Given this and that the administrative cost of churn is estimated to be between $400 and $600 per person,[12] this policy would be harmful to both the enrollees and the program. Our organizations urge CMS to reject the proposed enrollment cap.

Waiver of Hospital Presumptive Eligibility

Our organizations oppose the proposed waiver of presumptive hospital eligibility. This would allow the state to prohibit temporary, on-the-spot Medicaid eligibility determinations by hospitals for individuals who appear to qualify for this specific demonstration pathway. It is common that individuals are unaware they are eligible for Medicaid until a medical event occurs. Presumptive hospital eligibility

allows patients to access critical care without facing financial barriers or being burdened by medical debt. Medicaid-eligible individuals who face substantial costs could end up delaying their treatment because of these costs. For individuals with serious and chronic disease, a delay in necessary treatment can exacerbate their condition and lead to worsened health outcomes.

Conclusion
Our organizations remain strongly opposed to work reporting requirements and enrollment caps and urge CMS to reject this proposal.

Thank you for the opportunity to provide comments.

Sincerely,

AiArthritis
American Cancer Society Cancer Action Network
American Heart Association
American Kidney Fund
American Lung Association
Cancer Nation (formerly National Coalition for Cancer Survivorship)
Coalition for Hemophilia B
Epilepsy Foundation of America
Hemophilia Federation of America
Hypertrophic Cardiomyopathy Association
Leukemia & Lymphoma Society
Lupus Foundation of America
Lutheran Services in America
March of Dimes
National Bleeding Disorders Foundation
National Multiple Sclerosis Society
National Patient Advocate Foundation
National Psoriasis Foundation
Susan G. Komen
The AIDS Institute
WomenHeart
ZERO Prostate Cancer

[1] Cervantes, Sammy et al. "How Many Uninsured Are in the Coverage Gap and How Many Could be Eligible if All States Adopted the Medicaid Expansion?" KFF. February 25, 2025. Available at: https://www.kff.org/medicaid/issue-brief/how-many-uninsured-are-in-the-coverage-gap-and-how-many-could-be-eligible-if-all-states-adopted-the-medicaid-expansion/

[2] Letter from CMS Administrator Seema Verma to Governor Gary Herbert, August 16, 2019, Available at: https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ut/per-capita-cap/ut-per-capita-cap-correspondence-ltr-20190816.pdf.

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[4] Ohio Department of Medicaid, 2018 Ohio Medicaid Group VII Assessment: Follow-Up to the 2016 Ohio Medicaid Group VIII Assessment, August 2018. Accessed at: https://medicaid.ohio.gov/wps/wcm/connect/gov/2468a404-5b09-4b85-85cd-4473a1ec8758/Group-VIII-Final-Report.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_K9I401S01H7F40QBNJU3SO1F56-2468a404-5b09-4b85-85cd-4473a1ec8758-nAUQnlt

[5] Benjamin D. Sommers, MD, et al. "Medicaid Work Requirements—Results from the First Year in Arkansas," *New England Journal of Medicine*. Published online June 18, 2019. Available at: https://www.nejm.org/doi/full/10.1056/NEJMsr1901772

[6] Benjamin D. Sommers, MD, et al. "Medicaid Work Requirements—Results from the First Year in Arkansas," New England Journal of Medicine. Published online June 18, 2019. Available at: https://www.nejm.org/doi/full/10.1056/NEJMsr1901772

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[9] Cervantes, Sammy et al. "How Many Uninsured Are in the Coverage Gap and How Many Could be Eligible if All States Adopted the Medicaid Expansion?" KFF. February 25, 2025. Available at: https://www.kff.org/medicaid/issue-brief/how-many-uninsured-are-in-the-coverage-gap-and-how-many-could-be-eligible-if-all-states-adopted-the-medicaid-expansion/

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