



July 10, 2019

The Honorable Alex Azar, Secretary  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

RE: South Carolina's Community Engagement Section 1115 Demonstration Waiver Application

Dear Secretary Azar,

Thank you for the opportunity to comment on the Community Engagement Section 1115 Demonstration Waiver application submitted by the state of South Carolina on May 8, 2019. South Carolina proposes to increase its eligibility thresholds for parents and caretaker relatives from 67 percent of the federal poverty line (\$1,160 per month for a family of three) to 100 percent of poverty (\$1,775 per month). At the same time, South Carolina proposes to require all of the non-exempt parents who are currently eligible, as well as those expansion parents who are not exempt, to report work of no less than 80 hours per month, putting them at risk of losing their coverage. We urge you to reject the state's request to impose a work reporting requirement on either the existing or newly eligible parents.

By letter dated today, 20 organizations, led by the Center on Budget and Policy Priorities and the Center for Children and Families, are requesting that you reject South Carolina's proposal to impose work reporting requirements as a condition of Medicaid eligibility. I reaffirm CCF's support for that request and the reasons set forth in that letter—i.e., requirements to report work will result in coverage loss for parents; those coverage losses will disproportionately harm women and African Americans; and those coverage losses will adversely impact children as well as parents.

In this letter, I want to focus on two additional points. First, coverage losses resulting from imposing work reporting requirements will undercut the coverage gains from the proposed parent expansion, with the burden falling disproportionately on low-income African-American mothers. Second, the state underestimates the coverage losses that are likely to occur as a result of imposing work reporting requirements.

***Coverage losses will disproportionately affect African American parents and their children***

In January of this year, in collaboration with South Carolina Appleseed, we published an analysis of South Carolina's Section 1115 waiver proposal, "Low-Income Families with Children Will Be Harmed by South Carolina's Proposed Medicaid Work Reporting Requirement."

<https://ccf.georgetown.edu/wp-content/uploads/2019/01/SC-work-requirement->

[update FINAL.pdf](#). (A copy is attached to this letter for inclusion in the administrative record). The analysis finds that the proposed work requirements will result in losses of Medicaid coverage, hitting hardest in the state's small towns and rural communities, where families are more likely to be insured through Medicaid and where jobs are harder to find, and would disproportionately affect African-American families. Despite subsequent changes to the waiver proposal, described below, this analysis continues to reflect the direction of the impact of work reporting requirements on parents and children in families with incomes at or below 67 percent of the poverty line. We request that you give this analysis the most careful consideration.

In May, the state revised its proposal to, among other things, raise eligibility levels for parents and caretaker relatives from 67 percent to 100 percent of poverty, a change that the state projects will extend Medicaid coverage to an additional 32,000 parents monthly. We strongly support this coverage expansion, delinked from work reporting requirements, although we would note for the record that a preferred approach to optimize the health of families with children would be for the state to adopt the Medicaid expansion authorized by the Affordable Care Act – thus ensuring that all women (and men) with incomes below 138 percent of the poverty line have continuous coverage .

Because of this change, we have updated our analysis of the parent population targeted by the work reporting requirement. Our updated analysis finds results consistent with those of our previous analysis. Of the parents currently eligible for Medicaid or eligible under the proposed eligibility expansion, the majority are mothers (83 percent) and about half are African-American (48 percent). In comparison, only 27 percent of all adults in South Carolina are African-American, illustrating the disproportionate impact the requirements would have on this group.

Among parents who are currently enrolled in Medicaid or would become eligible for Medicaid coverage under the waiver, 43 percent are already working and 17 percent report being unemployed. Forty percent of the targeted parents are not in the workforce, often because they are caring for someone else or have an illness or disability. In the state's previous application, only primary caregivers of children under 6 were exempt from the requirement; the revised application includes an exemption for a primary caregiver of a child (no age limit is given). However, individuals who are caregivers would be required to prove their exemption to the state, adding red tape, which creates barriers to coverage, as the Arkansas work requirements waiver has unequivocally demonstrated.<sup>1</sup>

If low-income mothers lose coverage due to failure to meet work hours or provide documentation of a qualifying caregiver exemption, they are unlikely to have other affordable health coverage options – only 14 percent of parents below the poverty line in South Carolina have employer sponsored insurance while 33 percent are uninsured. The state's proposal does not address the circumstances of those mothers (and their children) who will lose coverage as a

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<sup>1</sup> Musumeci, M. Rudowitz, R. and Lyons, B. “*Medicaid Work Requirements in Arkansas: Experience and Perspectives of Enrollees*,” Kaiser Family Foundation, December 18, 2018, <https://www.kff.org/medicaid/issuebrief/medicaid-work-requirements-in-arkansas-experience-and-perspectives-of-enrollees/>;

Sommers, B. et al., “*Medicaid Work Requirements: Results from the First Year in Arkansas*,” New England Journal of Medicine, June 19, 2019, <https://www.nejm.org/doi/full/10.1056/NEJMSr1901772>

result of the work reporting requirements. Nor does it explain how reducing Medicaid coverage for low-income mothers who do not meeting reporting requirements will help them or their families.

***The State underestimates the coverage losses that are likely to occur among low-income parents and children***

The state projects that a maximum of 7,100 parents would lose coverage in the first year following implementation of the work reporting requirements. The state does not provide estimates of the coverage losses in any of the remaining years of the demonstration. As a result, the state has failed to comply with federal regulations at 42 CFR 431.412(a)(iv), which require that the state's application include "enrollment projections expected *over the term of the demonstration* for each category of beneficiary who health care coverage is impacted by the demonstration" (emphasis added). This violation allows the state to understate the coverage losses during the demonstration, which would clearly be higher over several years than for one year only.

In addition, the state's estimates appear to fail to account for the additional parents who would be subject to the new reporting requirements under the eligibility expansion. The state's analysis, "Community Engagement Waiver: Coverage Impact," begins by identifying 188,000 South Carolinians who are in the eligibility groups targeted by the work requirements and are *currently covered by Medicaid*. (emphasis added). The 32,000 additional parents who would be newly eligible under proposed expansion are not included in this population. Thus, the state's projections do not show the full impact of the reporting requirement on all the parents who would be affected.

Furthermore, the state's estimates do not appear to address the impact of work reporting requirements on Medicaid coverage of children. Even though its estimates understate the magnitude of the coverage loss, the state does project coverage losses of up to 7,100 in the first year after implementation. Yet these projections, while not a model of clarity, appear to reflect only parents. It is probable that some children in these affected families will experience coverage losses as well. Research has shown that children are more likely to be insured when their parents have insurance.<sup>2</sup> By not accounting for this collateral disenrollment effect on children, South Carolina's projections further understate coverage loss.

Finally, the state is proposing to require an estimated 20,000 beneficiaries to submit documentation of work or of qualification for an exemption. The state projects that no more than 10 percent, or 2,000 of these beneficiaries, would lose coverage due to lack of documentation. The evidence, however, indicates that the majority of coverage losses from the work requirement likely occur as a result of not reporting work activity or exemptions, even if an individual would otherwise remain eligible<sup>3</sup>. The state's coverage loss estimates therefore understate the coverage losses that are actually likely to occur.

We request that you require the state, as required by your own regulations, to provide accurate enrollment estimates for each of the five years of the proposed demonstration, and that those estimates reflect both the projected coverage loss among parents as well as their children. We

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<sup>2</sup> Hudson, Julie and Asako Moriya, "Medicaid Expansion for Adults Had Measurable "Welcome Mat" Effects on Their Children," Health Affairs September 1, 2017, <https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.0347>.

<sup>3</sup> Garfield, Rachel, Robin Rudowitz, and MaryBeth Musumeci, "Implications of a Medicaid Work Requirement: National Estimates of Potential Coverage Losses," Kaiser Family Foundation, June 27, 2018.

further request that you carefully consider these revised enrollment estimates in deciding whether to approve the state's proposal. If you do, we are confident that you will conclude that the imposition of work reporting requirements would not be likely to promote the objectives of the Medicaid program.

For these reasons, as well as for those stated in the organizational letter above, I urge you to reject South Carolina's request to impose work reporting requirements on low-income parents as a condition of Medicaid eligibility.

Thank you for consideration of our comments. If you need any additional information, please contact Joan Alker ([jca25@georgetown.edu](mailto:jca25@georgetown.edu)).

Joan Alker

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Attachment: Center for Children and Families, "Low-Income Families with Children Will Be Harmed by South Carolina's Proposed Medicaid Work Reporting Requirement" (January, 2019).