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MANAGING HEALTH REFORM

SOUTH CAROLINA: ROUND 1

State-Level Field Network Study of the Implementation of the Affordable Care Act

August 2014

Rockefeller Institute of Government
State University of New York

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SOUTH CAROLINA: ROUND 1

State-Level Field Network Study of the Implementation of the Affordable Care Act

Part 1 – Setting the State Context

1.1 Decisions to Date

South Carolina will not expand Medicaid or establish a state-based health insurance exchange. Apart from initial interest in creating an exchange, the state has been an opponent of the Patient Protection and Affordable Care Act (ACA) since its enactment. South Carolina was one of the initial litigants in the landmark U.S. Supreme Court case challenging the constitutionality of the ACA.[1] Opponents of the ACA — including the governor and members of Republican majorities in the state House and Senate — have criticized the bill on several grounds, believing it to be an overreach of federal powers and, more generally, an effort that invests significant public resources into public health and insurance programs they believe are deeply troubled. Despite vocal minorities who have fought for the state's active engagement in ACA implementation, tea party Governor Nikki Haley and Republican-led leadership in the state's legislature have been successful in limiting South Carolina's participation in ACA-related activity to only the minimum required by federal law.

Health Insurance Exchange

In the first months after the passage of the ACA, political leaders in South Carolina gave serious consideration to the creation of a state-based health insurance exchange. In August 31, 2010, the

state's Department of Insurance submitted a proposal to the U.S. Department of Health and Human Services (HHS) to receive a planning and establishment grant for a state health insurance exchange.[2] In the application, Republican Governor Mark Sanford included a letter to HHS Secretary Kathleen Sebelius expressing support for the state's proposal. The state received notice of award of a planning and establishment grant in the amount of $1 million on September 30, 2010.[3] The Department of Insurance began implementing plans laid out in the grant, including meeting with key stakeholders in health care and planning for the hire of a health exchange program manager.[4]

However, the course of the state's planning process changed in early 2011. Haley replaced Sanford as governor on January 12, 2011.[5] On February 24, 2011, the South Carolina legislature introduced a bipartisan bill, led by Representative Harold Mitchell along with sponsorship from twelve other representatives.[6] The bill (HB 3738) proposed the creation of the South Carolina Benefit Exchange. On March 10, 2011, just hours after a HB 3738 won key subcommittee approval, Haley signed Executive Order 2011-09, which created the South Carolina Health Exchange Planning Committee.[7] The purpose of the committee was to review current data on health insurance exchanges; to consider alternative approaches to establishing an insurance exchange; and to provide a final recommendation to the governor as to whether South Carolina *should* establish a state-based health insurance exchange.[8] HB 3738 lost steam after the Executive Order was issued and did not pass prior to the end of the legislative session.[9]

The Health Planning Committee was chaired by the newly hired health exchange program manager (Gary Thibault, former executive director of the state's Workers' Compensation Commission), and composed of the following: two members appointed by president pro tempore of the Senate (Senator Michael Rose and Dr. Casey Fitts, a Charleston-based surgeon and longtime advocate for uninsured residents in South Carolina); two members appointed by the speaker of the House of Representatives (Representatives David Mack and William Sandifer), the director of the Department of Insurance (David Black), the director of the state Department of Health and Human Services (Anthony Keck), as well as the following appointees of the governor: a consumer or not-for-profit representative (Timothy Ervolina, president of the United Way Association of South Carolina); a small employer (Evelyn Perry, chief executive officer of Carolina Sound Communications); a health care provider (Mike Vasovski, a general physician based in Aiken, SC), a licensed insurance producer (Tammie King, vice president of Insurance Management Group of Columbia, SC), and a licensed health insurance issuer (William Shrader, senior vice president at BlueCross BlueShield of South Carolina).[10]

The Health Planning Committee convened a series of meetings and sought public input on the formation of an exchange.

The planning committee held its first meeting in April 2011 and, over a period of eight months, received briefings and presentations from stakeholders, including the South Carolina Institute of Medicine and Public Health, the Institute of Public Service and Policy Research, the South Carolina Department of Insurance, the South Carolina Hospital Association, the South Carolina Medical Association, the University of South Carolina, Health Sciences South Carolina, the South Carolina Office of Research & Statistics, BlueCross and BlueShield of South Carolina (BCBS), AccessHealth South Carolina, Tri-County Project Care, UnitedHealthcare, and Deloitte Consulting. To assist with its work, the committee also established four subcommittees to review various exchange and other marketplace issues. To conduct these proceedings, the Health Planning Committee spent approximately $305,000 of the $1 million grant received from the Centers for Medicare & Medicaid Services (CMS).[11]

On November 30, 2011, the Health Planning Committee made its final recommendations to the state. The recommendations came in the form of a 100-page report with an additional 322 pages of appendices. The key recommendation of the report was that "the state cannot implement state-based health insurance exchanges as defined under the [Patient Protection and Affordable Care Act] and ill-defined and unfinished HHS regulations." The financial cost of establishing an exchange was the primary reason given for not proceeding with a state-based exchange.[12] Shortly after the committee's recommendations were released, Haley issued a statement indicating that, based upon the committee's findings, the state of South Carolina would not establish a state-based exchange. Shortly thereafter, David Black, director of the South Carolina Department of Insurance, abruptly resigned.[13] Local press reported speculation that Black's resignation resulted from a falling out with the governor, although no information about the nature of the possible dispute was available.

On December 14, 2011, *The Post and Courier*, a major Charleston-based newspaper, reported on the release of public documents suggesting that Haley dictated to members of the Health Planning Committee what their final recommendation should be prior to their first meeting.[14] In a March 31 email thread that included Haley, her top advisers, and the committee member who eventually wrote the report, Haley wrote, "the whole point of this commission should be to figure out how to opt out and how to avoid a federal takeover, NOT create a state exchange." The emails were released to the newspaper in response to a public records request to the South Carolina Department of Health and Human Services. Some members of the Health Planning Committee, including Keck and Evelyn Perry, stated that the emails from Haley did not influence their final recommendations.[15] However, at least one member of the committee presented a different perspective. South Carolina Democratic Representative David Mack said "he resigned himself to being a minority voice on the

committee from the start," and that "you could tell by the composition of that committee what the result was going to be."

In response to the story released by *The Post and Courier,* U.S. Senator Thomas Harkin (D-IA), chairman of the U.S. Senate Committee on Health, Education, Labor and Pensions, requested that HHS Inspector General Daniel Levinson investigate whether Haley may have inappropriately used ACA planning grant funds.[16] The basis for the investigation was the allegations made in March 2011 that Haley attempted to dictate in advance the findings of the Health Planning Committee. Harkin wrote in a letter to Levinson: "In authorizing exchange planning grants through the ACA, Congress intended that taxpayer funds would enable states, working in good faith, to carefully review insurance market options under state and federal law, including the ACA. It was certainly not the intent for those taxpayer funds to be distributed for a predetermined and meaningless outcome. Spending taxpayer funds to construct an ideologically-motivated façade not only violates Congress's intent, but also the public's trust in government."

The Office of the U.S. Inspector General undertook and completed an investigation into the federal planning grant funds in March 2012.[17] The findings showed no evidence of wrongdoing on the part of the governor or the Health Planning Committee. Consequently, the state was not required to return any funds from the state planning grant. According to a statement issued by Harkin, "their examination found that the report prepared with the federal dollars will be of potential value to the federal government in helping to ensure that South Carolinians have access to affordable quality health care through an insurance exchange." However, he also noted in the statement that "it continues to appear that the outcome of the commission was predetermined." On November 15, 2012, nine days after the 2012 presidential election, Haley issued an official letter to HHS Secretary Kathleen Sebelius.[18] Citing recommendations provided by the health planning committee, the governor reported that her state "should not and will not set up a state-based healthcare exchange."

Medicaid Expansion Option

South Carolina's intentions to minimize participation in the ACA were made public early, long before the U.S. Supreme Court's decision in *National Federation of Independent Business v. Sebelius* created the state option to expand Medicaid. On August 2, 2011, the governor signed the state budget for fiscal year 2011-12, which states in Section 89.126 that if federal law permitted, the state would opt out of key provisions in the ACA, including the individual mandate, the employer contribution requirement, and the insurance expansions that mandate coverage of dependents aged twenty-six and younger.[19]

On June 28, 2012, the U.S. Supreme Court ruled that the ACA's requirement that states expand Medicaid to all U.S. citizens with incomes under 133 percent of the federal poverty line

was unconstitutionally coercive.[20] Almost immediately thereafter, Haley argued that South Carolina would have difficulty financing the state portion of the costs for the expansion population and announced her opposition to Medicaid expansion in the state. Two months later, on September 6, 2012, Keck, director of the Department of Health and Human Services, published an opinion piece on the *Health Affairs* blog page, entitled "South Carolina's View: The Affordable Care Act's Medicaid Expansion is the Wrong Approach."[21] He argued that health services contribute no more than 20 percent to "overall health and well-being of an individual and community" and that, conversely, social determinants of health, including "health behaviors and personal choices, income and employment, education, genetics, social supports, race, and place are much larger contributors." As a consequence, Keck argued that expanding insurance is not an effective solution to the problem of poor health outcomes. Rather, he argued that a sounder approach — and the one that South Carolina is pursuing — focuses on controlling health-care costs while improving clinical service integration and addressing health disparities. Since then, these ideas have been formalized into a Healthy Outcomes Plan, intended to reach 7,000 to 10,000 South Carolina residents. The decision to opt out of the Medicaid expansion received backing from the South Carolina Medical Association, which expressed concern that the Medicaid expansion did not represent a long-term solution for the health issues facing South Carolina.

Yet this stance was not shared by all. A group of advocates for Medicaid expansion organized in autumn 2012, and officially launched a campaign in support of expansion on December 11, 2012. The campaign was entitled Accept ME (Medicaid expansion) in South Carolina.[22] Organizations involved in Accept ME included, but are not limited to, Appleseed Legal Justice Center; the South Carolina Hospital Association; Palmetto Project; the South Carolina HIV/AIDS Council; the Urban League; South Carolina Health Care Association (representing the state's federally qualified health centers); consultant John Ruoff, a respected advocate for low-income residents; the South Carolina Chapters of the American Association of Retired Persons; the National Alliance on Mental Illness; the American Heart Association; and the American Cancer Association. Democrats in the General Assembly were also proponents of the Medicaid expansion, and several — notably, members of the state's Legislative Black Caucus — were highly vocal in their support of South Carolina's participation in the expansion.[23]

Supporters of Medicaid expansion focused on the positive impact expanding Medicaid would have on health and the state's economy. The Accept ME campaign highlighted South Carolina's low rankings among states across several health outcomes and high rates of poverty and uninsurance.[24] To address the potential economic effects of expansion, the South Carolina Hospital Association contracted with a research economist at the Darla Moore

School of Business at the University of South Carolina to conduct an impact analysis.[25] The report, released at the Accept ME launch event on December 11, 2012, found that by that 2020, the annual economic impact of the expansion would equal $3.3 billion in economic output, $1.5 billion in labor income, and support approximately 44,000 new jobs for residents in the state. The estimates were based on estimates of the total federal contributions to the state that would flow from the Medicaid expansion, made by Milliman, an actuarial and consulting firm, under contract with the South Carolina Department of Health and Human Services.

The governor was not swayed by these arguments. On January 16, 2013, in her State of the State Address, she asserted, "as long as I am governor, South Carolina will not implement the public policy disaster that is Obamacare's Medicaid expansion."[26] Nor was the Republican-controlled South Carolina General Assembly swayed. The proposal for a temporary, one-year expansion (SC H 3167) introduced by Democrats on December 18, 2012, was formally rejected by the South Carolina House of Representatives on March 12, 2013. The vote fell along party lines, 73–43. In a written statement, Haley remarked, "If history has proven anything, it's that there is no such thing as a temporary entitlement program, and as House Republicans recognize, Obamacare will be as bad a policy three years from now as it is today."[27] Exactly ten weeks later, on May 21, 2013, the South Carolina Senate followed the House's lead with a vote of 23–19. Only two Republicans joined the Senate's seventeen Democrats in support of expansion. Democrats made a second attempt to introduce funding for Medicaid expansion into the state budget, but it was cut early in the negotiation process.

1.2 Goal Alignment

The majority of state government leaders in South Carolina have assumed an oppositional response to the ACA. As noted in the section above, the state was part of a group of twenty-five states that filed lawsuits challenging the constitutionality of the ACA, claiming that it is an overreach of federal powers.[28] Many state lawmakers have also expressed worry about the potential economic impact of the ACA, citing concerns about possible rising insurance premiums, increasing regulation of the insurance market, and increasing state and federal debt. Although the Senate considered a bill during the 2014 legislative session entitled "South Carolina Freedom of Health Care Protection Act" (H.3101), which would have declared the ACA a nullity in the state, the proposed act failed by a vote of 33–9 when the constitutionality of the measure was called into question.

Part 2 – Implementation Tasks

2.1 Exchange Priorities

South Carolina is conducting activities mandated by the law and nothing more. The state's health insurance exchange is federally facilitated and, consequently, has not required major involvement on the part of state government agencies. However, the South Carolina Department of Insurance does host a page on its website providing some information about qualified health plans, private health insurance options, and health insurance navigators.[29] Apart from that, the responsibility for conducting outreach and education to uninsured residents eligible for the exchanges has fallen to three private organizations contracted by the federal government: DECO Recovery Management LLC, the Cooperative Ministry, and the Beaufort County Black Chamber of Commerce.[30] The state has made information technology upgrades — particularly for the state's Medicaid program — a major priority.[31]

2.2 Leadership – Who Governs?

As South Carolina has a federally facilitated exchange, leadership resides within the Center for Medicare & Medicaid Services' Center for Consumer Information and Insurance Oversight (CCIIO). CCIIO was established by the ACA and charged with the responsibility of working with states to establish new health insurance exchanges and administering exchanges in states that have elected to not establish their own. Gary Cohen is deputy administrator and director of the CCIIO; Alissa Deboy is director of CCIIO's exchange policy and operations group; and Teresa Miller is acting director of its state exchange group.[32] Additionally, the HHS Region IV Office, based in Atlanta, has been involved in overseeing the exchange and providing resources to organizations in the state committed to educating South Carolina residents about the exchange. The office is led by Regional Director Pamela Roshell; health services are overseen by Regional Health Administrator Clara Cobb in the Office of Public Health and Science. South Carolina Regional Outreach Specialist Natalie Perry has been designated as the federal contact for ACA-related concerns in South Carolina. Based in the Atlanta Region IV office, she is responsible primarily for community outreach as well as disseminating information and press releases issued by HHS to key community stakeholders in the state.

Haley has made it clear to directors of state agencies that they are to carry out no more than the letter of the law with regard to implementation of the exchanges. Director of the South Carolina Department of Insurance Raymond Farmer, along with Kendall Buchanan, deputy director of market and consumer services, have been responsible for carrying out ACA responsibilities at the department.

2.3 Staffing

South Carolina did not establish a state-based exchange. Therefore, all exchange-agency staffing developments have occurred within the federal government, as noted above. There is no locally based federal assistance for individuals seeking help with enrollment. Services are provided by patient navigators and certified application counselors located within community-based health and social service agencies. The South Carolina Department of Health and Human Services has made some small staffing changes in response to the ACA. With the estimate that 170,000 new adults and children will enroll in Medicaid in 2014, and anticipating frustration with the ACA on behalf of the public, the Department of Health and Human Services added twenty-two new call center positions in July 2013.[33] "We expect increased calls to our Medicaid call center by frustrated South Carolinians, and we will do our best to direct them to the right place to get an answer," said Department Director Keck.[34]

2.4 Outreach and Consumer Education

Outreach and education efforts in South Carolina have been the responsibility of private actors and organizations, in collaboration with the federal government. In light of the state government's oppositional stance to the ACA, the federal government — primarily through the HHS Region IV Office — has built direct relationships with community-based organizations and coalitions involved in ACA outreach and education activities. Region IV Outreach Specialist Perry has been the primary federal representative responsible for building these relationships and providing local actors with educational resources and information about what is happening at the federal level relevant to ACA implementation in South Carolina. During fall 2013, Perry organized a series of regular conference calls with key stakeholders in the ACA outreach and education effort to provide updates on enrollment. Since then, a more formal coalition of stakeholders involved in this effort has been formed, in which the HHS office continues to play a role. The coalition, entitled the South Carolina Outreach Coalition, is led by Becky Fowler, public affairs coordinator at the South Carolina Primary Health Care Association (SCPHCA), an umbrella organization representing the state's federally qualified health centers.[35] The outreach coalition includes approximately two dozen health and social service organizations in the state.

Several stakeholders participating in the coalition have undertaken individual efforts to provide outreach and education related to the ACA. First, the SCPHCA's Fowler has offered several "train the trainer" programs to help staff in the state's federally qualified health centers conduct ACA outreach and education activities within their auspices.[36] Second, the Knight Foundation has funded an education initiative focused on Richland County, which is home to the state capital, and is one of the most populous counties in the state.[37] The grant was provided to Richland

County Libraries. The project has created an informational website, and held several informational forums and one-on-one assistance events for local residents. Third, nineteen federally qualified health centers in South Carolina received a total of $2,384,833 in grants from the Health Resources and Services Administration to hire forty-five workers to help South Carolinians sign up for health insurance.[38] Navigator programs funded by the CMS are also playing an important role in outreach and consumer education within the state. Their activities are described in greater detail below.

Finally, Blue Cross Blue Shield of South Carolina, while not a member of the outreach coalition, has also played a significant role in outreach and consumer education through its marketing activities. As the largest insurer in the state and one of four qualified health plans participating in the federally facilitated state health insurance exchange, they have committed resources to an extensive marketing campaign involving Internet, radio, and television advertising.[39] While its efforts are directed towards participation in BCBS insurance plans, its work represents a significant contribution in a state with little commitment to ACA implementation, and an Outreach Coalition made up predominantly of nonprofit organizations with limited resources. Moreover, BCBS plans to open seven brick-and-mortar retail stores by 2015 and send a mobile station with insurance agents to well-attended sporting events, festivals, and communities in which there will not be a store. Vice President Terry Peace reported that the company hired fifteen people to aid consumers in the application process.[40]

Overall, these efforts have reached a significant number of people, evidenced by the number who have enrolled in the health insurance exchange (over 55,000 people) as well as by the increase in enrollment in Medicaid in a nonexpansion state.[41] The state Department of Health and Human Services reported a 20 percent increase in applications for Medicaid in October 2013 alone.[42]

2.5 Navigational Assistance

A total of $1,953,615 in patient navigator assistance grants were awarded in South Carolina. Awardees included the Columbia-based nonprofit organization the Cooperative Ministry ($508,313), the Beaufort County Black Chamber of Commerce ($234,099), and DECO Recovery Management LLC ($1,211,203).[43] Grants to the Cooperative Ministry and the Beaufort County Chamber were awarded to provide assistance in the local communities they serve. DECO is responsible for providing statewide navigational assistance. More detailed information about each navigator grant awardee is included below.

- DECO Recovery Management LLC, recipient of the largest contract, is a Maryland-based for-profit company that has helped hospitals avoid bad debt by helping eligible uninsured and underinsured patients to enroll in public insurance programs.[44] Shortly after HHS awarded the

company $1.2 million, DECO Vice President Andrew Foland announced that the company would partner with the Benefit Bank of South Carolina, a for-profit branch of the nonprofit South Carolina Office of Rural Health (SCORH) that works with approximately 2,000 volunteers in the state.[45] By mid-November, spokeswoman Bianca Crawford reported DECO had hired fifty-eight navigators, twelve of whom work at a call center in Maryland. The rest are employed in walk-in centers, primarily in hospitals and health centers in Greenville, Aiken, Manning, Columbia, and Charleston. At the time this report was submitted, DECO was in the process of hiring additional navigators to work in the state.

- The Cooperative Ministry is a well-established, Columbia-based nonprofit organization that serves individuals and families experiencing poverty.[46] The Cooperative Ministry is reaching beyond its traditional client base by targeting new settings, including the Regional Medical Center of Orangeburg and Calhoun counties, Palmetto Health facilities, and local churches.[47] The nonprofit has also partnered with the South Carolina Progressive Network and the Greater Columbia Community Relations Council to conduct outreach. In early September, the Cooperative Ministry announced its goal to train forty to forty-five navigators and volunteer counselors by October 1st to target Richland, Orangeburg, and Calhoun counties. As of September 27, 2013, four days before the launch of the health insurance marketplace, Program Director Wanda Pearson reported that the organization had certified eleven and trained five. Pearson also reported a revised goal of thirty to forty-five trained navigators and counselors.[48]
- The Beaufort County Black Chamber of Commerce is a nonprofit organization with the mission of economic empowerment of African American communities and small businesses.[49] A membership organization, the Chamber provides business-related services such as procurement and networking opportunities, business development, and access to capital. By September 28, 2013, three days shy of the launch of the health insurance marketplace, six of the Chamber's seven navigators had been certified to reach individuals in Beaufort County and seven additional counties in the surrounding area. Larry Holman, the Chamber's president, reported that certified application counselors would work with the navigators to provide assistance offered through church functions and other community events.[50]

Since the launch of the enrollment period, there have been concerns about the adequacy of navigational assistance — both in terms of total supply, as well as the distribution of assistance around the state. As with every state, South Carolina's efforts to

enroll residents in the health insurance exchange have been hampered by the problems with the federal enrollment website. In the first month of the health insurance marketplace, only 572 of an estimated 750,000 uninsured South Carolinians signed up for health insurance through the federal website.[51] The initial plans developed by navigator organizations — which relied heavily on electronic enrollment strategies — had to change rapidly. Just six days after HHS revealed the health insurance marketplace to the nation, Columbia-based Lead Navigator Tim Liszewski of the Progressive Network — a key partner of the Cooperative Ministry — reported, "We're setting up different presentations we can make.… We're going to make the best of what's happening with the website. I'm reminding people it doesn't have to be done in one day."[52] Nearly one month after the unveiling of the health insurance marketplace, the Cooperative Ministry reported that it had yet to help one individual sign up for health care on the federal website.[53] While significant progress has been made since then by all of South Carolina's navigator organizations, the website represented a major challenge early in the process.

Moreover, there have been significant concerns about DECO's strategy for outreach to potential exchange enrollees in the state. DECO's primary approach has been to station navigators in hospitals and other health service facilities — similar to its approach in providing debt prevention services. However, as a large part of the success of the ACA depends on achieving a healthy distribution of high- and low-risk pools of insured, community stakeholders have raised concerns that DECO's strategy to target people already in hospitals may undermine this goal.[54] Specifically, such a strategy may lead to disproportionate enrollment of individuals with health problems requiring treatment. There have been concerns about unequal distribution of DECO's navigators. As of November 16th, only one navigator covered Charleston, Dorchester, and Berkeley counties — one of the most populous regions in the state — and she was inundated with phone calls that far surpassed the twenty hour per week part-time job she was hired to fill. There were also no navigators in Myrtle Beach, though it is home to 58,000 uninsured residents.[55] DECO's Andrew Foland has responded to these concerns, promising to adapt a strategy to meet the state's need. "Our plan is not set in stone. We are modifying the plan as we move forward to address areas of weakness.… I'm hopeful that within the next week we'll have a number of centers opening up in the Charleston market."

In addition to these navigators, dozens of organizations throughout the state have become home to certified application counselors, who are helping people to enroll in the exchanges, but are not able to assist with education and outreach. Shelli Quenga of the Palmetto Project, an organization dedicated to fostering community, social, and economic engagement in the state, has been a particularly strong leader in these efforts.

2.6 Interagency and Intergovernmental Relations

Interagency Relations

As noted above, state agencies have been directed to do only what is legally required for implementation of the ACA. Consequently, there has not been a need for extensive collaboration among state agencies towards this end. However, the two agencies involved with required ACA implementation tasks — the Department of Health and Human Services (DHHS) and the Department of Insurance (DOI) — have worked together to carry out these activities. Directors of both agencies appointed by the current governor have expressed aims consistent with her leadership agenda. In particular, DOI and DHHS have worked together to address technological improvements mandated by the ACA, including streamlining enrollment procedures for Medicaid and establishing a secure, electronic transfer of information between Medicaid, the Children's Health Insurance Program (CHIP) and the exchange.[56] Additionally, DHHS has been collaborating with other agencies, including the Department of Social Services and the Department of Health and Environmental Control, to ensure that the enrollment streamlining process and changes to eligibility determination procedures are successfully implemented among community-based providers that serve enrollees in the state's public insurance programs.

Intergovernmental Relations

As one of a handful of states that has declined to expand Medicaid or establish a state-based health insurance exchange, South Carolina has collaborated very little with the federal government to implement the ACA. As noted above, Haley provided strict orders to her agency heads to "follow the letter of the law" and nothing more. State agencies have done so. DHHS Director Keck has outlined seven focus areas in which twenty State Plan Amendments (SPAs) are proposed to CMS to bring South Carolina in alignment with ACA mandates.[57]

However, the state's leadership continues to express frustration with Washington regarding the progress of implementation — especially the HealthCare.gov website. This opposition has resulted in strained relationships between federal executive offices and the state's gubernatorial leadership. As illustrated above, the federal government — primarily through HSS — has sought to circumvent state government by developing direct relationships with community-based allies who share its mission to successfully implement the law.

A notable exception to this trend has been in the area of information technology. Launched in January 2012, the establishment of the Medicaid and CHIP Learning Collaboratives (MAC collaboratives) marked a two year effort by the CMS to attain high-quality performance of state health coverage programs through strong partnerships between federal and state

governments.[58] South Carolina is participating in three MAC collaboratives, including the federally facilitated exchange (FFE) eligibility and enrollment MAC collaborative, the data analytics MAC collaborative, and the information technology MAC collaborative. The deputy director of the state DHHS reports that the agency has been an especially active participant in the information technology-related collaboratives, as upgrading information technology (IT) was an important goal for the agency prior to the passage of the ACA. He stated that, "The state knew it needed to modernize … it was starting a project, then the health care law said to do 'x, y, and z.' So, we had to look at moving things faster."[59] The state's Medicaid program is currently in a seven-year, $22.8 million contract with IBM to upgrade electronic records.

Federal Coordination

States such as South Carolina that have assumed an oppositional response to the ACA present a special challenge for federal coordination. With the state government providing no assistance in monitoring implementation success or coordinating with local efforts at the grassroots level, these tasks are left to federal agencies, which are located out of state in Atlanta (the HHS Region IV office) and Washington, DC (HHS headquarters and CMS). As noted above, the principal contact agency for the state of South Carolina has been the HHS Region IV office. It has assumed primary responsibility for gathering and disseminating information, resources, and press releases to community-based stakeholders in South Carolina. Additionally, the office has played the key role in gathering information about what is happening in the state and communicating that back to federal players. The Region IV office has also organized several phone calls that bring community-based stakeholders in states in opposition to the ACA into direct communication with the president, the vice president, and the HHS secretary. The purpose of these calls is largely to motivate local ACA advocates, but it also allows leaders to hear concerns about implementation from stakeholders "on the ground."

Inability to communicate directly with staff at CMS, and CCIIO, particularly, has been a continued source of frustration for the community-based advocates in South Carolina. After the launch of the HealthCare.gov website, when technological problems abounded, advocates cited an inability to reach anyone who could answer questions or address grievances. Moreover, South Carolina remains without any kind of system to report, review and respond to grievances with the new health insurance exchange. Limited communication with CMS has left these concerns unanswered.

2.7 QHP Availability and Program Articulation

Qualified Health Plans

In South Carolina there are three health insurance companies offering coverage through the health insurance marketplace: BCBS, Blue Choice Health Plan, and Coventry One. Consumers can also purchase health insurance through Consumers' Choice Health Plan, South Carolina's nonprofit Consumer Operated and Oriented (CO-OP) Program. Between these four insurance providers, twenty-seven plans (thirty-two in some counties) are available to customers.[60] Each offers a catastrophic plan, at least two bronze level plans, and at least one silver level and one gold level plan. None of the qualified health plans (QHPs) offer platinum level plans. It remains to be seen how competitive these plans will be. However, BCBS's historical role in the health insurance industry in South Carolina puts the company at a distinct advantage. Roughly 90 percent of all privately insured residents in the state have BCBS. Additionally, BCBS has been working strategically to position itself within the new health insurance exchange market, advertising aggressively for new customers for the exchange, and even establishing storefront sites where people can sign up for coverage in person (see Section 2.4 above).

Across QHPs, health insurance purchased in the South Carolina marketplace will be slightly above the national average, according to HHS. The national weighted average for a middle-of-the-road policy is $328; in South Carolina, the weighted average is $339. The difference between the bronze level of plans (which covers 60 percent of medical costs) and the gold level of plans (which covers 80 percent of costs) is about $80 per month for someone thirty years old and about $190 per month for someone sixty years old. The lowest rates for a twenty year old in South Carolina range from $106.70 per month to $214.05 per month before tax credits; rates at age forty are $182.73 to $273.56; and at age sixty rates are $388.05 to $580.93. All of those figures are before tax credits, which will offset costs for individuals making from about $11,500 to $47,000 per year.

Program Articulation

No information was available at this time about the articulation capability of exchanges to connect applicants to public insurance programs. The lack of any systematic approach to log and respond to problems enrollees may be facing is lacking, so there is little ability to identify trends in the challenges people may be facing at this time.

New Donut Hole

There has been surprisingly little public reaction to the coverage gap in South Carolina. While the reasons for this are unclear, there are a few possibilities. First, understanding of the ACA in the state remains very low. Surveys completed in the second half

of 2013 indicate that residents lack basic knowledge of their rights and responsibilities under the ACA. The state's oppositional stance to the law has meant that there has not been a well-funded and coordinated effort to conduct outreach and education around enrollment in health insurance programs. While the efforts of community-based stakeholders have been truly laudable, tight financial resources have constrained their efforts. Second, the local media has been silent on this issue. Since the launch of open enrollment, local media coverage has focused primarily on problems with the HealthCare.gov website, the cost of premiums for enrollment, and more recently the state's effort to nullify the ACA. There just simply is not a lot of information out there. Finally, the population hurt by the coverage gap has less social and economic capital than those disadvantaged by the "other" coverage gap. The state-based coalition to expand Medicaid is acutely aware of this problem and will continue to work to address it.

2.8 Data Systems and Reporting

South Carolina's DHHS has made a significant commitment to upgrading its information technology systems. As described above, this goal was in place prior to the start of implementation of the ACA. In 2012, DHHS was already working on addressing the problem of poor Medicaid participation among children living in poverty through Express Lane eligibility.[61] Eligible children in South Carolina who are not enrolled in Medicaid will be automatically signed up to receive a coordinated care health plan at a cost of $176 million to the state.[62] Moreover, DHHS and DOI are involved in three MAC collaboratives (described above) focused on enhancing data systems, including the federally facilitated exchange and enrollment collaborative, the data analytics collaborative, and the information technology collaborative.

A primary reason for DHHS's efforts to enhance information technology is to better use data to inform progress towards improving health outcomes in the state. As Keck stated in the *New York Times*, "Our goal is not to insure as many people as Obamacare." Rather, South Carolina's mission is "to purchase the most health for our citizens in need, at the least possible cost to the taxpayer."[63] To this end, the state has established the Healthy Outcomes Plan, which uses data to identify uninsured individuals who are high utilizers of health services and provides them with intensive case management services to improve health and prevent future poor health events. This program is expected to reach approximately 8,500 of the state's estimated 200,000 uninsured residents who will qualify for neither Medicaid nor subsidies through the state's health insurance exchange.

Part 3 – Supplement on Small Business Exchanges

The Small Business Health Option Program (SHOP) in South Carolina is part of the federally facilitated exchange. Small businesses that wish to enroll in SHOP must do so through a licensed

broker in the state. Currently, there is relatively little information about how many small businesses have enrolled in the exchange through SHOP. Consequently, it remains to be seen how the program will play out in the state. Frank Knapp, president of the South Carolina Small Business Chamber of Commerce, has been a staunch advocate of the ACA and SHOP, and has worked actively to encourage the 500 small businesses within the Chamber to enroll.

Part 4 – Summary Analysis

4.1 Policy Implications

Overall, there are few who stand to benefit from the state's oppositional stance towards the ACA. The decision not to expand Medicaid was certainly a victory for the Republican-dominated executive and legislative branches, which have consistently opposed the legislation in its entirety. The ACA is also likely to be lucrative for the state's BCBS — opening up a new market of potential customers, many of whom will enroll with the assistance of federal subsidies. BCBS has moved aggressively into the market, and early observation suggests that its extensive provider networks and name recognition will serve it well in the exchange marketplace.

Unfortunately, there are many losers in the ACA struggle in South Carolina. First, South Carolina's hospitals have been hit hard by the state's decision not to expand Medicaid. While the ACA has legislated major reductions in disproportionate share hospital payments as well as reductions in Medicare reimbursements for a wide range of services, it was expected that these reductions would be offset by the increase in revenue from the newly insured in Medicaid and the health insurance exchange. Without the Medicaid expansion, hospitals are facing major reductions in public dollars. Second, while it is too early to tell, it appears that new entrants to the state's insurance market — via participation in the federally facilitated health insurance exchange — will be facing stiff competition from BCBS, which is already well-entrenched. Third is the Accept ME coalition. At present, it has not won the fight to expand Medicaid, but that certainly does not mean it never will. Many such advocates believe that with time, and growing national acceptance of the expansion, their battle will be won. But perhaps the biggest losers are the state's poorest uninsured citizens, who are too poor to qualify for subsidies within the health insurance exchange, but unable to qualify for Medicaid due to categorical restrictions on eligibility.

4.2 Possible Management Changes and Their Policy Consequences

Looking ahead, the upcoming gubernatorial election will be a significant fork in the road for South Carolina. At present, Haley is thought to have a slight lead against Vincent Sheheen, the

state's Democratic contender. Sheheen ran against Haley in 2010 and lost by a slim margin — so close, in fact, that a number of news sources falsely proclaimed the winner of the election early in the day. That said, Haley has already raised more than double the campaign funds Sheheen has raised coming into the election year. If Haley wins a second term, there is unlikely to be much change in the state's position towards the ACA.

However, if Sheheen wins, it would trigger a major turnaround in the state's participation in implementation of the ACA and the quality of intergovernmental relations more generally. A Democrat in the governor's office would not likely lead to changes in the state's biggest implementation decisions: the Medicaid expansion and operational control of the health insurance exchange. The federally facilitated exchange is already in place, and the decision to expand Medicaid has budgetary implications that necessitate the approval of the state's legislature. However, a win by Sheheen would likely result in greater cooperation and leadership among state agencies, most of which are directed by gubernatorial appointees. A Democratic leader for South Carolina would also bring the state's priorities into greater alignment with federal agencies working on ACA implementation.

Regardless of the road ahead, South Carolina has its work cut out for it. As a state with one of the highest poverty rates and poorest health outcomes indicators, one thing stakeholders from all perspectives agree on is the need for improvement in the state's health status. Successful implementation of the ACA in South Carolina — for those who believe that is the goal — will require building greater public understanding of the ACA and enrolling all who are eligible in a state in which government distrust is high and public insurance program take-up rates have traditionally been low. It will also require a shift in position on the Medicaid expansion option. As long as the state's poorest uninsured remain without assistance, the aims of the ACA to promote widespread access to health care will never be realized.

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