



The One Big Beautiful Bill Act & South Carolina's Medicaid Program

Most of the biggest changes under the One Big Beautiful Bill Act (OBBBA) target states that expanded Medicaid. As a non-expansion state, South Carolina will avoid the steepest impacts (e.g., work and eligibility requirements), but the law will still significantly affect the state's patients, providers, and payers.

Retroactive Coverage

For Medicaid (Healthy Connections) and Children's Health Insurance Program (CHIP) applications filed on or after January 1, 2027, OBBBA will shorten the retroactive coverage period for pregnant people and children under 21 years old from 3 months to 2 months. Non-pregnant adults will continue to receive 1 month of retroactive coverage.

This change will have a particularly significant impact on maternity care and pediatric hospital admissions. It is expected to increase uncompensated care costs for some hospitals as more bills fall outside the shortened period.

Eligibility

Beginning October 1, 2026, the following groups will be ineligible for Healthy Connections and CHIP:

- **Lawful Permanent Residents (LPR)**
- **Asylees**
- **Refugees**
- **Trafficking Survivors**
- **Humanitarian Parolees**
- **Certain Cuban and Haitian Entrants**

Provider Taxes and State-Directed Payment Programs

The OBBBA makes significant changes to Medicaid funding with provider taxes and state-directed payment (SDP) programs. The changes begin in FY 2028 and will be phased in over 10 years.

Provider Tax: South Carolina relies on a statewide hospital and other provider assessments to help finance the state's share of Medicaid payments.

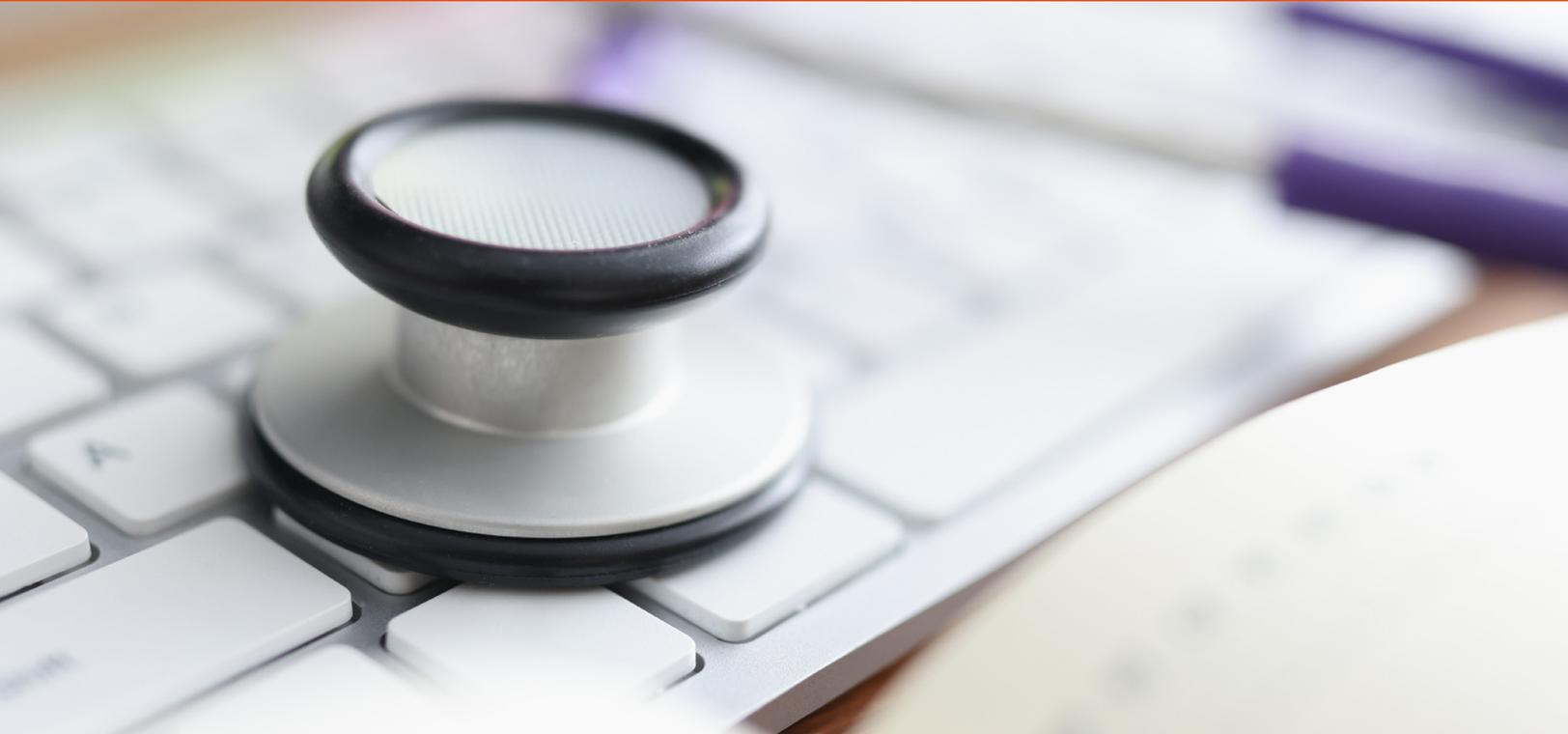
Under OBBBA, non-expansion states, such as South Carolina, retain the existing 6% federal safe-harbor threshold for current provider taxes. However, the law sets the hold-harmless threshold for new provider taxes at 0%, preventing the creation of new provider tax classes to draw down additional federal matching funds.

SDPs: In non-expansion states, SDPs can go up to 110% of Medicare rates. Beginning in 2028, amounts above the cap must step down by 10 percentage points per year until they hit the cap.

South Carolina has utilized a hospital SDP program since 2023 to increase Medicaid payments to hospitals by approximately 70% on average, thereby bringing rates closer to the average commercial rates paid by private insurers. South Carolina's hospital association estimates that phasing down this program will result in a loss of approximately \$150 million in hospital payments per year for 15 years for the state's 60 general hospitals.



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Federal Payments to Prohibited Entities

For one year following enactment (July 4, 2025 – July 4, 2026), federal Medicaid funds may not be paid to certain nonprofit family planning providers that offer abortion services and deliver family planning or reproductive health services to Medicaid members.

Rural Health Funding

OBBBA creates a **\$50 billion Rural Health Transformation Program** to support rural healthcare access, infrastructure, and workforce. The program provides \$10 billion annually from FY 2026 through FY 2030, distributed to states with approved rural health transformation plans. States that applied are expected to receive about \$100 million per year in baseline funding, with the potential for additional competitive dollars based on rural needs and the strength of each state's plan.

The South Carolina Department of Health and Human Services (SCDHHS) has submitted its plan to CMS and is expected to receive an award notice by December 31, 2025. If approved, South Carolina plans to invest in technology for telehealth and electronic health records, statewide chronic disease management programs, access to care through mobile health units, crisis response teams, and pop-up clinics, workforce recruitment, training, and retention, and startup health companies