NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

PUBLIC NOTICE: NORTH CAROLINA PERSONAL CARE SERVICES ALIGNMENT DEMONSTRATION

Release Date: September 10, 2026

Notice of Intent to Submit a Section 1115 Demonstration Application for the North Carolina Personal Care Services Alignment Demonstration

Pursuant to Section 1115 of the Social Security Act and 42 CFR 431.408, the North Carolina Department of Health and Human Services (North Carolina) provides notice of its intent to submit a Section 1115 demonstration application entitled the North Carolina Personal Care Services Alignment Demonstration: Targeted PCS Coverage for Adult Care Home and Special Care Unit Residents to the Centers for Medicare & Medicaid Services (CMS). The proposed demonstration would establish a targeted Medicaid eligibility pathway and limited personal care services (PCS) benefit for eligible Medicare beneficiaries residing in or seeking admission to licensed adult care homes and special care units who are not currently eligible to receive Medicaid-covered PCS under existing eligibility rules.

Summary of Demonstration Request

North Carolina seeks approval of a five-year section 1115 demonstration to provide Medicaid coverage of PCS to eligible Medicare beneficiaries residing in or seeking admission to licensed adult care homes and special care units whose incomes exceed current State-County Special Assistance eligibility thresholds but whose needs can be appropriately met in these community-based residential settings. The demonstration would establish a targeted eligibility pathway through which qualifying individuals could access Medicaid-covered PCS without requiring admission to a nursing facility.

The demonstration would provide a limited benefit consisting solely of PCS and would not provide comprehensive Medicaid coverage. Services furnished under the demonstration would be identical to PCS currently covered under the North Carolina Medicaid State Plan and would continue to be subject to existing clinical, operational, and program integrity requirements.

Demonstration Description and Goals

North Carolina seeks approval of this demonstration to address a longstanding gap in access to Medicaid-covered PCS for residents of adult care homes and special care units whose incomes exceed Medicaid eligibility limits applicable outside institutional settings. Under current policy, individuals with similar functional needs may have significantly different access to Medicaid coverage depending on where they receive care. In some cases, individuals may qualify for Medicaid through institutional eligibility pathways if they enter a nursing facility, while individuals with lower levels of need who reside in community-based residential settings remain ineligible for coverage of PCS. The State believes this

disparity creates an institutional bias that may encourage unnecessary nursing facility placement and limits access to services in less restrictive settings.

Through this demonstration, the State seeks to:

- Align Medicaid eligibility and services with the most appropriate care setting.
- Ensure access to personal care services in community-based residential settings where care can be delivered efficiently and appropriately.
- Reduce unnecessary nursing facility transfers and placement disruptions.
- Promote preventive, whole-person health and support management of chronic conditions through continuity of care and stable residential placement.

The demonstration is expected to promote care in less restrictive and more cost-effective settings, reduce reliance on higher-cost institutional services, improve continuity of care, and strengthen program integrity through clear eligibility standards and oversight processes.

Target Population and Eligibility Criteria

The proposed demonstration population consists of individuals residing in or seeking admission to licensed adult care homes and special care units in North Carolina who meet all demonstration eligibility requirements.

To qualify for enrollment, individuals must:

- Reside in, or be seeking admission to, a licensed adult care home (including those within combination homes) or special care unit in North Carolina;
- Meet all State-County Special Assistance program requirements other than income, including applicable age, disability, and resource requirements;
- Have income at or below:
    - 180 percent of FPL for individuals residing in or seeking admission to a licensed adult care home; or
    - 200 percent of FPL for individuals residing in or seeking admission to a special care unit;
- Otherwise satisfy all applicable Medicaid eligibility requirements, including North Carolina residency and citizenship requirements;
- Be enrolled in Medicare, as required under Session Law 2025-64 (HB 546);
- Require PCS, as defined in the North Carolina Medicaid State Plan, based on assessed need; and
- Not otherwise be eligible for Medicaid-covered PCS in an adult care home or special care unit under an existing North Carolina Medicaid eligibility pathway.

Benefits, Cost Sharing, and Delivery System

Services under the demonstration will be delivered through Medicaid Direct, North Carolina's existing fee-for-service delivery system. The State is not proposing any changes to provider participation requirements, reimbursement methodologies, operational systems, or service delivery structures. Existing Medicaid eligibility systems, claims processing systems, utilization management processes,

provider screening requirements, Electronic Visit Verification systems, and program integrity activities will continue to be used for demonstration administration.

The demonstration would provide a limited Medicaid benefit consisting exclusively of PCS as defined under the North Carolina Medicaid State Plan. The demonstration does not alter the scope, duration, amount, service definitions, provider qualifications, payment rates, or authorization criteria for PCS. Rather, it extends access to an existing State Plan service to a defined population that would not otherwise be eligible.

The demonstration does not impose premiums, copayments, deductibles, or other Medicaid cost-sharing obligations. Demonstration participants will remain responsible for room and board obligations paid directly to the licensed adult care home or special care unit in which they reside. Consistent with longstanding Medicaid requirements, room and board costs are not covered under Medicaid and remain separate from Medicaid-covered personal care services.

The State will also apply a beneficiary liability methodology under which eligible individuals may contribute a portion of their available income toward the cost of Medicaid-covered personal care services after application of allowable deductions, allowances, and room and board obligations. This methodology is functionally aligned with Medicaid post-eligibility treatment-of-income principles and is intended to ensure consistency with existing Medicaid long-term services and supports financing approaches. The beneficiary liability methodology is not a premium, copayment, deductible, or other form of Medicaid cost sharing.

Enrollment and Fiscal Projections

The demonstration is projected to serve approximately 6,000 individuals statewide at full implementation. Enrollment is expected to phase in gradually, beginning with approximately 3,000 individuals at implementation and increasing over an estimated 11-month period as outreach, education, and beneficiary awareness efforts support enrollment growth to the projected full enrollment level.

Setting	Year 1		Year 2		Year 3		Year 4		Year 5	
	Member Months	Federal Expenditures	Member Months	Federal Expenditures	Member Months	Federal Expenditures	Member Months	Federal Expenditures	Member Months	Federal Expenditures
ACH	38,119	$ 40,900,399	49,451	$ 53,405,574	49,451	$ 53,753,423	49,451	$ 54,103,536	49,451	$ 54,455,930
Combo	1,359	$ 1,346,725	1,764	$ 1,758,482	1,764	$ 1,769,936	1,764	$ 1,781,464	1,764	$ 1,793,067
SCU	16,022	$ 25,330,809	20,785	$ 33,075,629	20,785	$ 33,291,061	20,785	$ 33,507,897	20,785	$ 33,726,145
Total	55,500	$ 67,577,934	72,000	$ 88,239,685	72,000	$ 88,814,420	72,000	$ 89,392,897	72,000	$ 89,975,142

Hypotheses and Evaluation

The State will conduct a comprehensive evaluation of the demonstration consistent with 42 CFR 431.424. The evaluation will assess whether the demonstration achieves its objectives related to access, continuity of care, service utilization, health outcomes, and Medicaid program expenditures. The State

will engage an independent evaluator and utilize quantitative and qualitative methodologies including trend analyses, pre/post comparisons, and comparison group analyses where feasible.

The following hypotheses and research questions will be evaluated during the demonstration period:

Hypothesis	Research Questions
1. Aligning eligibility criteria with appropriate care settings reduces Medicaid expenditures by shifting utilization from institutional LTSS to PCS in community-based settings.	• Does the demonstration reduce Medicaid spending on institutional LTSS? • Does PCS spending increase following implementation? • What is the net effect of the demonstration on PMPM Medicaid LTSS expenditures?
2. The demonstration increases access to PCS among eligible individuals in adult care homes and special care units.	• Does the demonstration increase the proportion of eligible individuals receiving PCS? • Does PCS utilization increase post-implementation?
3. Access to PCS reduces avoidable transitions to institutional settings and improves care stability.	• Does the demonstration reduce Medicaid-paid nursing facility admissions? • Does it reduce short-term institutional placements? • Does it improve continuity in residential settings?
4. Access to PCS supports continuity of care and functional stability by helping eligible individuals remain in community-based settings and delaying or reducing transitions to higher levels of care.	• Does the demonstration delay or reduce transition to higher levels of care, including Medicaid-paid nursing facility admissions?

The evaluation will utilize Medicaid claims, enrollment files, prior authorization records, LTSS datasets, program administrative data, and other relevant information sources to assess demonstration performance and outcomes. Measures may include PCS utilization rates, time to service initiation, nursing facility admission rates, duration of residence in community-based settings, spending trends, continuity of PCS utilization, and other indicators associated with demonstration goals.

Waiver and Expenditure Authorities

North Carolina is requesting the following waiver authority and expenditure authorities to operate the demonstration:

1. **Comparability (Amount, Duration, and Scope)** Section 1902(a)(10)(B)

   To the extent necessary to allow the State to provide the demonstration population with a limited benefit package, consisting solely of PCS, that differs from the full North Carolina Medicaid State Plan benefit package.

The State requests expenditure authority under section 1115(a)(2) of the Social Security Act for the following:

1. **Coverage for Demonstration Population Not Otherwise Eligible**

   Expenditures for Medicaid coverage of PCS furnished to individuals who meet the demonstration eligibility criteria and who are not otherwise eligible for Medicaid under existing Medicaid pathways in the State.

2. **Limited Benefit Package**

   Expenditures to provide a targeted, service-specific benefit consisting solely of PCS to demonstration enrollees in lieu of the full state plan benefit package.

Public Notice and Comment Process

In accordance with 42 CFR 431.408, the State will open a formal comment period on Sept. 10 2026, and interested parties are directed to NC Section 1115 Demonstration Waiver | NC Medicaid for a copy of all demonstration materials.

You may also request a copy of the proposed demonstration application and/or a copy of submitted public comments, once available, by requesting it in writing to the mailing or email addresses listed in this notice.

Written comments concerning the demonstration extension will be accepted starting Sept. 10, 2026, and are due by 5 p.m. (Eastern Time) Nov. 9, 2026.

Written comments may be sent to the following address (please indicate “NC Section 1115 Waiver” in the written message):

North Carolina Department of Health and Human Services
NC Medicaid Section 1115 Waiver Team
1950 Mail Service Center
Raleigh, NC 27699-1950

Comments may also be sent via electronic mail to: Medicaid.NCEngagement@dhhs.nc.gov through Nov. 9, 2026. Please indicate “NC Section 1115 Waiver” in the subject line of the email message.

North Carolina will host four public hearings to seek input regarding the PCS waiver. Hearings offer an opportunity for the public to provide written or verbal comments regarding the proposed demonstration. All comments received during the public comment period will be reviewed and considered prior to submission of the application to CMS. Hearings will be held at the following dates, times, and locations:

First Public Hearing

Sept. 16, 2026 from 5:30 - 7 p.m.
Virtual via Microsoft Teams (Join on your computer, mobile app or room device)
Click here to join the meeting
Call in (audio only)
+1 984-204-1487, 438242315# (United States)
Phone conference ID: 438 242 315#

Second Public Hearing (in person)

Sept. 29, 2026 from 2:30-4 p.m.
Greenville Convention Center
303 SW Greenville Blvd, Greenville NC 27834

Third Public Hearing (in person)

Oct. 12, 2026 from 2:30-4 p.m.
Mountain Area Health Education Center (MAHEC)
Blue Ridge A & B in the Education Building
121 Hendersonville Road, Asheville NC 28803

Fourth Public Hearing

Oct. 22, 2026 from 11:30 a.m. - 12:30 p.m.NC Medicaid Advisory Committee (MAC) Meeting
Virtual via Microsoft Teams (Join on your computer, mobile app or room device)
Click here to join the meeting
Call in (audio only)
+1 984-204-1487, 352166225# (United States)
Phone conference ID: 352 166 225#

More information about the demonstration—including the full application, public comments, and hearing materials—is available at:
medicaid.ncdhhs.gov/meetings-notices/proposed-program-design/nc-section-1115-demonstration-waiver