



# NC Medicaid's 1115 Waiver Annual Public Forum

June 24, 2026

# Agenda

- Overview of North Carolina's 1115 Demonstration Renewal
- Status of Demonstration Renewal Initiatives
- Implementation Updates
  - Children and Families Specialty Plan launch
  - Substance Use Disorder treatment
  - Continuous Eligibility for Children and Youth
  - Healthy Opportunities Pilots
  - Workforce Initiatives
- Q&A

# Overview of North Carolina's 1115 Demonstration Renewal

Katie Horneffer

Associate Director, Strategy and Planning

NC Medicaid

# Context for 1115 Demonstrations

**Section 1115 of the Social Security Act gives the Health and Human Services Secretary authority to approve experimental, pilot or demonstration projects that are likely to further the goals and objectives of the Medicaid program.**

- Section 1115 demonstrations provide states additional flexibility to waive certain components of federal Medicaid law and make changes to the way they operate their Medicaid program.
- Section 1115 demonstrations are time-limited and are intended to demonstrate and evaluate policy approaches not otherwise allowed under Medicaid program rules.
- Section 1115 demonstrations provide federal expenditure authority, meaning states can draw down federal funds to match state expenditures.
- States have used 1115 waivers to implement a wide range of programmatic changes, including changes to eligibility, benefits, delivery systems and cost sharing.
- Demonstrations are generally approved for an initial five-year period and can be extended for up to an additional five years.

## Waivers must:

- ✓ Be approved by the Secretary
- ✓ Be budget neutral
- ✓ Promote the objectives of Medicaid
- ✓ Receive stakeholder input during development process

# Vision and Goals for North Carolina 1115 Demonstration Renewal



## History of Medicaid Reform Demonstration

- In October 2018, North Carolina received federal approval to significantly transform its Medicaid program through the [Medicaid Reform Section 1115 Demonstration](#).
- During the first demonstration period, North Carolina began its transition to managed care and invested in novel programs, like the Healthy Opportunities Pilot (HOP), to better respond to the diverse needs of North Carolinians enrolled in NC Medicaid.



## Overarching Goal for Demonstration Renewal

- In October 2023, North Carolina submitted a request to the Centers for Medicare & Medicaid Services (CMS) to renew its Section 1115 demonstration for another five-year period.
- North Carolina received approval from CMS in December 2024.
- The goal of the demonstration is to improve health and well-being for all North Carolinians through a whole person, well-coordinated system of care that addresses both medical and non-medical drivers of health and advances health access.

# **Status of Demonstration Renewal Initiatives**

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# Overview of Proposed Initiatives in 1115 Demonstration Renewal

North Carolina received federal approval for its 1115 demonstration renewal Dec. 10, 2024. Implementation of individual initiatives is dependent on the availability of state funds to leverage federal matching funds.

## Extension with No Changes

- Substance use disorder (SUD)
- Managed care

## Extension with Refinements

- Home and Community-Based Services under 1915(i)\*
- Healthy Opportunities Pilot (HOP)\*

## New Initiatives

- Pre-release services for the reentry population\*
- Investments to bolster behavioral health and long term services and supports\* workforce
- Investments in behavioral health technology\*
- Continuous eligibility for children and youth

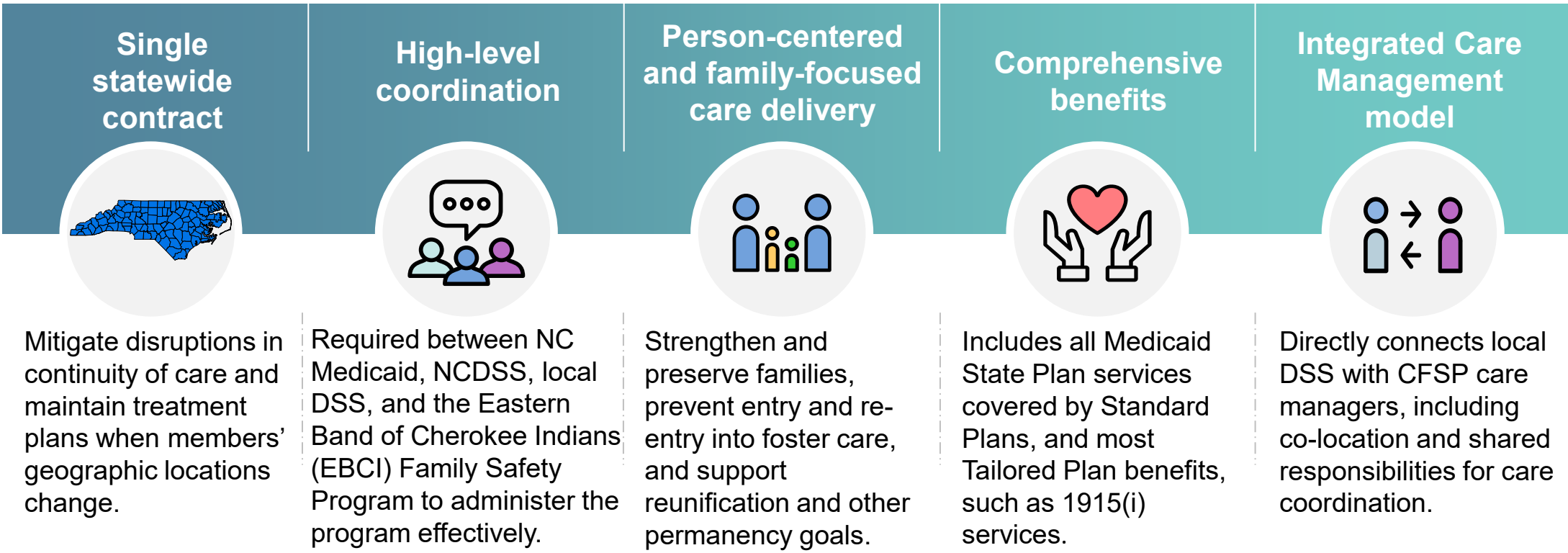
\*Asterisk indicates that initiative is on hold pending state funding availability.

# **Children and Families Specialty Plan**

Barbara Morales-Burke  
Chief Managed Care Officer  
NC Medicaid

# Children and Families Specialty Plan Overview

- The **Children and Families Specialty Plan (CFSP)** is available to children and youth currently and formerly involved in the child welfare system and will cover a full range of physical health, behavioral health, pharmacy, long term services and supports (LTSS) and Intellectual/Developmental Disability (I/DD) services and unmet health-related resource needs.
- **Local Division of Social Services (DSS) agencies play a pivotal role** in the success of CFSP. They are the frontline in ensuring that some of North Carolina’s most vulnerable populations achieve safety and have timely access to services. County teams coordinate daily across systems to ensure care continuity, stability and access to essential services.



# Children and Families Specialty Plan Overview

- **Provider Payments:** Healthy Blue Care Together (HBCT) was able to quickly identify and work with providers to resolve payment issues to get resolution. Issues have not been indicative of systemic operational problems
- **Network Adequacy:** HBCT's annual network adequacy review shows approximately 93.5% of physical health metrics and 98.8% of behavioral health metrics meeting access standards. HBCT submitted exception requests for all identified gaps, and the Department approved all exceptions for the duration of contract year based on the documentation provided.
- **Transitions of Care Policy Flexibilities:** NC Medicaid leadership is aligned to allow most Transitions of Care (TOC) Policy Flexibilities expire on the original targeted end date of June 30, 2026, based on stability of the program.
- **Strengthening Relationships with Key Stakeholders:** Feedback about HBCT from counties has been positive regarding engagement, transparent communication and follow up in addressing feedback.
- **County Adoption of Care Management Model:** 99 counties currently have access to HBCT's CarePoints Connect system to access information and resources on care. 72 counties exercised their option to have co-located care managers.

# Looking Ahead

- ✓ The CFSP operates as a single, statewide plan to mitigate disruptions in continuity of care and maintain treatment plans when members' geographic locations change.
- ✓ Growing evidence that multi-generational models help build family well-being by intentionally and simultaneously working with children and adults

## Phase 1: Initial CFSP-Eligible Populations

Medicaid-enrolled: **Dec. 1, 2025, Launch**

- Children and youth in foster care
- Children receiving adoption assistance
- Young adults under age 26 formerly in foster care
- Minor children of individuals eligible for CFSP enrollment\*\*

**With the exception of Tribal members and other limited groups, these eligibility groups will be auto-enrolled at CFSP launch.\***

## Phase 2: Additional CFSP-Eligible Populations

Medicaid enrolled:  **Target: Launch TBD**

- Parents, caretaker relatives, guardians and custodians of children/youth in foster care\*\*
- Minor siblings of children/youth in foster care
- Family members receiving Child Protective Services (CPS) In-Home Services:
  - All adults identified on an open CPS In-Home Family Services Agreement as caregivers; and
  - Any minor children living in the same home.

**These eligibility groups may opt in to the CFSP.**

*\*Unless they are in a group that is otherwise exempt or excluded from mandatory managed care enrollment. These eligibility groups will be automatically enrolled into the CFSP, with the following exceptions: Tribal members and other individuals eligible to receive Indian Health Services, including North Carolina's federally recognized tribe (the Eastern Band of Cherokee Indians) and state-recognized tribes, Innovations or TBI waiver enrollees, beneficiaries residing in Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IID), and those eligible for the Transitions to Community Living (TCL).*

*\*\*Limited to minor children of children and youth in foster care, children receiving adoption assistance, and former foster youth.*

# **Substance Use Disorder Waiver**

Greg Daniels

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# Substance Use Disorder

The original 1115 demonstration included a waiver of the institution for mental disease (IMD) exclusion for SUD treatment to expand access to the full continuum of SUD care. In October 2023, North Carolina received a temporary 12-month extension of its SUD waiver authority to align effective dates across all demonstration components.



## Extension with No Changes

**North Carolina received federal authority to extend this authority for another five years with no changes to the existing SUD waiver.**

Under the demonstration, beneficiaries have access to high quality, evidence-based opioid use disorder (OUD) and other SUD treatment services ranging from medically supervised withdrawal management to ongoing chronic care for these conditions in cost-effective settings while also improving care coordination and care for comorbid physical and mental health conditions.

# Substance Use Disorder Milestones and Updates

## Provider Assessment Submitted to CMS (Milestone 4)

- In May 2025, NC submitted the Provider Assessment Across Critical Levels of SUD Care to CMS, fulfilling Milestone 4 of the SUD implementation plan (Sufficient Provider Capacity at each Level of Care, including Medication Assisted Treatment for SUD/ODU).
- The assessment used Division of Health Service Regulation (DHSR) licensure data and health plan network adequacy reports to evaluate covered Medicaid SUD treatment and withdrawal management services at critical care levels.

## Medication Assisted Treatment State Plan Amendment Became a Permanent Medicaid Benefit

The permanent Medication Assisted Treatment (MAT) Medicaid benefit was codified Consolidated Appropriations Act, 2024 (Pub. L. 118-42), removing the prior end date of Sept. 30, 2025, for the mandatory coverage. NC's MAT State Plan Amendment (SPA) for the Opioid Treatment Program was approved by CMS in February 2026, effective Oct. 1, 2025.

## Clinical Coverage Policies and State Plan Amendments Effective Jan. 1, 2026

Clinical Coverage Policies promulgated Jan. 1, 2026; SPAs on track for CMS approval with the same effective date, for the following services:

- Substance Abuse Intensive Outpatient Program (SAIOP)
- Substance Abuse Comprehensive Outpatient Treatment (SACOT)
- Clinically Managed Low-Intensity Residential Treatment Services
- Clinically Managed Residential Withdrawal Management Services
- Clinically Managed Population-Specific High-Intensity Residential Program
- Clinically Managed Residential Services
- Medically Monitored Intensive Inpatient Services

# **Continuous Eligibility for Children and Youth**

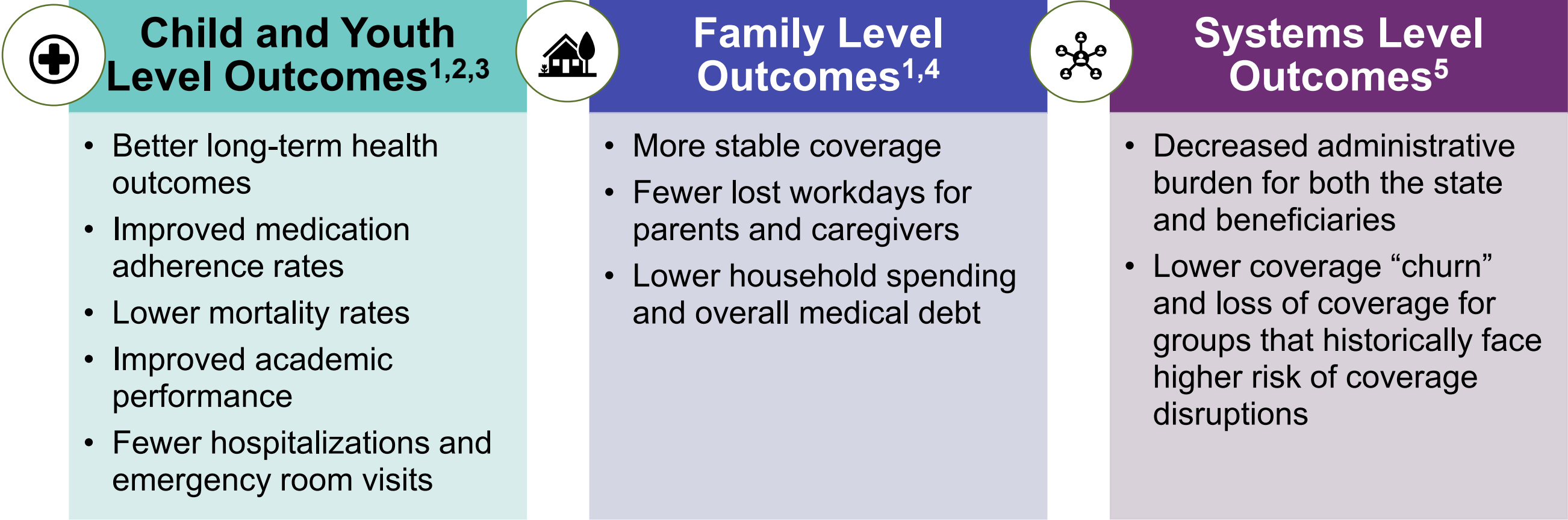
Sarah Gregosky

Assistant Secretary and Deputy Medicaid Director

# Evidence for Continuous Eligibility for Children and Youth

One in 10 Medicaid beneficiaries experience a loss and gain of coverage, or coverage “churn,” within 12 months.

- Churn is largely associated with income fluctuation and is **more common in families with children**
- Continuous eligibility policies are one way to combat churn and are associated with the following outcomes:



1. MacCallum-Bridges, C. L., Admon, L. K., Patrick, S. W., Kozhimannil, K. B., & Daw, J. R. (2026). Continuous Medicaid eligibility, child insurance, and health care use. *Pediatrics*, 157(1), e2025072529. <https://doi.org/10.1542/peds.2025-072529>  
2. Ku, L., & Steinmetz, E. (2007). Bridging the gap: Continuity and quality of coverage in Medicaid. *Health Affairs*, 26(2), w239–w249.  
3. Park E, Alker J, Corcoran A. *Jeopardizing a Sound Investment: Why Short-Term Cuts to Medicaid Coverage During Pregnancy and Childhood Could Result in Long-Term Harm*. Issue Brief. Commonwealth Fund; December 8, 2020. <https://www.commonwealthfund.org/publications/issue-briefs/2020/dec/short-term-cuts-medicare-long-term-harm>. Accessed May 22, 2026.  
4. Center for Children and Families. (2025, January 10). *Multi-year continuous eligibility for children*. Georgetown University Health Policy Institute. <https://ccf.georgetown.edu/2025/01/10/multi-year-continuous-eligibility-for-children>  
5. Commonwealth Fund. (2025, June 11). *Reducing Medicaid churn: Policies promote stable coverage access*. <https://www.commonwealthfund.org/publications/issue-briefs/2025/jun/reducing-medicare-churn-policies-promote-stable-health-coverage>

# Continuous Eligibility for Children and Youth

To prevent disruptions in care and reduce administrative burden for the state, counties and families, North Carolina received federal authority to provide continuous eligibility for children and youth in NC Medicaid.



## New Initiative: Continuous Eligibility

North Carolina received federal authority to provide continuous Medicaid eligibility for children ages 0 through 5

- 24-month continuous eligibility for children ages 6 through 18 (extends the existing 12-month period for this group)

Eligibility would generally not be redetermined for the duration of the continuous eligibility period outside of specific exceptions and changes in circumstances, in alignment with continuous eligibility waivers approved by CMS for other states. The state would terminate eligibility in the cases of an individual's death, moving out of state, the individual requests termination or fraud/abuse.

This policy will apply to all children, excluding medically needy children.

NC Medicaid implemented this policy for some eligibility groups in July 2025 and will implement for remaining eligibility groups beginning July 2026. As of April 2026, over one million children have been impacted.

# Healthy Opportunities Pilot

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# Healthy Opportunities Pilot: Program and Funding Update

CMS granted North Carolina authority to address Health-Related Social Needs through the Healthy Opportunities Pilot, with authority extended until 2029. However, the North Carolina General Assembly has not continued to fund the state portion of HOP.



## Timeline of Authority for HOP program

- **In October 2018**, North Carolina received federal approval to significantly transform its Medicaid program through the Medicaid Reform Section 1115 Demonstration.
  - CMS authorized NC to use up to \$650 million in state and federal Medicaid funding for the Pilots over five years. This allowed the HOP program to launch in three regions of the state (33 counties) to address housing instability, transportation insecurity, food insecurity and interpersonal safety and toxic stress.
- **On Dec. 10, 2024**, CMS renewed waiver authorization and increased allowable state and federal funding for HOP to over \$2.8 billion. The five-year extension would require several changes to programs and operations and would allow the State to expand HOP services statewide.
- **In 2025**, the North Carolina General Assembly did not renew state funding for HOP, and access to federal funding relies on continued state funding. As a result, the Department paused HOP program operations beginning July 1, 2025.

[NC Medicaid Reform Demonstration \(Dec. 10, 2024\)](#)

Healthy Opportunities Pilots [web site](#) outlines Pilot regions, services, eligibility criteria and additional evaluation results.

# Healthy Opportunities Pilot: Evaluation and Key Metrics

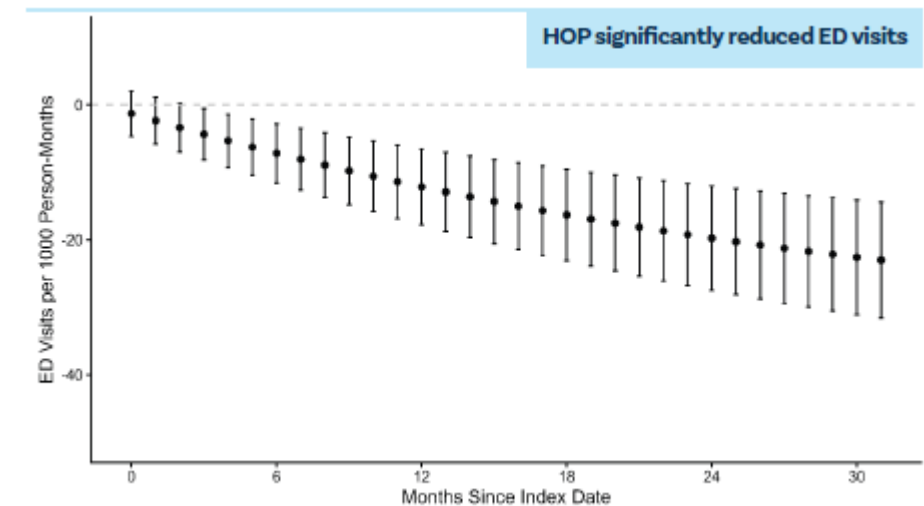
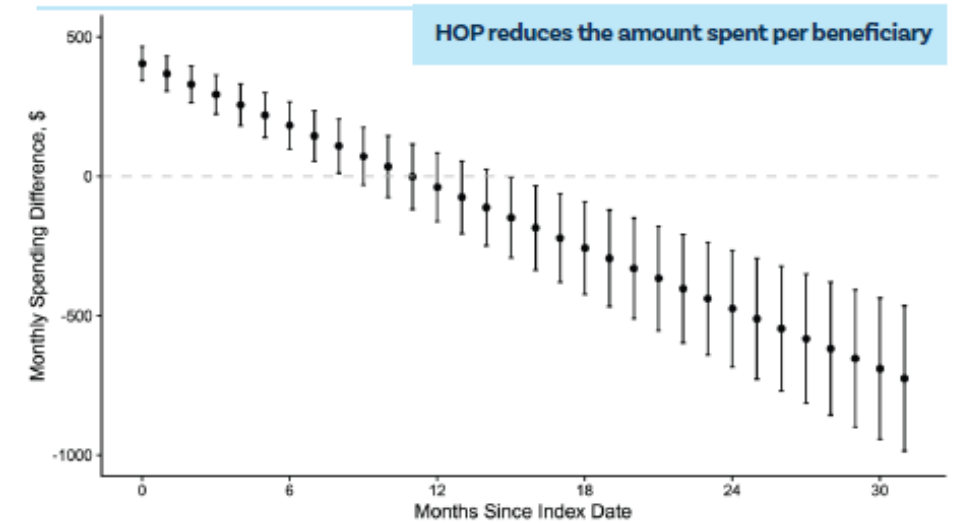
The Healthy Opportunities Pilot reduced Medicaid healthcare costs an average of \$164 per beneficiary, per month, for the 31,597 people enrolled, relative to what would have occurred without enrollment in HOP.



## Healthy Opportunities Pilot Evaluation

A recent [Summative Evaluation Report](#)\* found that Pilot participation was associated with:

- **Lower spending**
  - HOP was associated with \$164 lower monthly spending averaged over the entire demonstration period
- **More cost-effective care**
  - HOP participants had significantly fewer ED visits
  - HOP participants had more visits with outpatient providers
- **Reduced barriers to health and wellbeing**
  - HOP participants experienced less food insecurity, housing instability and transportation barriers
- **Improved quality of life**
  - 89% of participants surveyed at six months said HOP improved their health
- **Strong network coordination**
  - Strong communication across all entities helped improve outreach, engagement and enrollment



# Healthy Opportunities Pilots: Future State

NC Medicaid continues to use available tools to address members' health related social needs and assess strengths and weaknesses in case of restored State funding.

## HOP Program Readiness

### Strengths

- The Department has federal 1115 authority to receive matching funds for HOP services through December 2029
- The program's Fee Schedule and other 1115-related materials remain available to support the rebuilding of program infrastructure
- The Department maintains the closed-loop referral tool, NCCARE360, with some capacity

### Challenges

- Network Lead entities and Human Service Organizations would need to rebuild staff to provide HOP services.
- The Department no longer has necessary staffing for HOP restart and implementation
- Current lack of funding to support key technology components
- At least six months to update contracts and adapt to the new CMS changes

# **Workforce Recruitment and Retention Program**

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Division of Mental Health, Developmental Disabilities, and Substance Use Services

# I/DD, Behavioral Health and Long Term Services and Supports Workforce Initiatives

To improve access to I/DD, behavioral health and long-term services and supports (LTSS) and reduce strain on health care delivery systems, North Carolina received federal authority to invest in and support behavioral health, I/DD and LTSS workforce recruitment and retention.

North Carolina received federal authority to provide recruitment and retention payments for certain behavioral health, I/DD and LTSS professionals:

- Eligible providers include Paraprofessionals, Direct Support Professionals and other certified professionals (i.e., Peer Support Specialists, Family Partners, Community Health Workers, Substance Abuse Prevention Specialists, Alcohol and Drug Counselors, Clinical Supervisors) who provide behavioral health, I/DD and LTSS services to Medicaid beneficiaries and the uninsured
- Recruitment and retention payments may be used for sign-on/retention bonuses, career advancement training and certification/recertification exam fees
- Providers must have at least 40% Medicaid/uninsured patient volume to qualify for recruitment and retention funding.

Currently, state funding is not available to implement the LTSS component of this program. However, the behavioral health/I/DD component of this program is proceeding, as discussed on the next slide.

# I/DD Workforce Recruitment and Retention Program: Implementation Update

The Division of Mental Health, Developmental Disabilities and Substance Use Services is leading the implementation for the recruitment and retention program for the I/DD workforce. They are adapting their existing program to meet 1115 requirements.

As a part of the NC Direct Support Professionals (DSPs) Recruitment and Retention Incentives, programmatic updates include:

- Recipients for Round 2 have been selected and notified.
  - Funds equaling \$3.125 million will be distributed to 20 provider agencies.
  - Funds will be distributed with one-half in SFY27 and one-half in SFY28.
  - Monitoring and reporting will continue through SFY29.
- Program participants are provider agencies that provide I/DD services and employ DSPs. Program proposals were designed by the provider to best address their specific workforce needs. Program designs have been approved and will be monitored by DMHDDSUS.
- Program participants have the option of qualified DSPs that they choose to participate in the program, (i.e., full-time only, full-time and part-time or part-time only).
- All beneficiaries (DSPs) are required to make a three-year service commitment to participate in the program.

# Thank you!

For more information, please visit these resources:

## Application

- [Approval Letter](#)
- [Renewal Application](#)
- [Previously Approved Application](#)
- [HOP Summative Evaluation Report](#)

# Questions/Comments