

State Plan Amendment 25-0026:

Division of Health Benefits Response to Public Comment

Overview

On September 29, 2025, the North Carolina Division of Health Benefits (DHB also known as NC Medicaid) posted public notice for State Plan Amendment (SPA) #25-0026. This SPA implements service rate reductions of 3%, 8%, or 10% for SFY 2025-26, effective October 1, 2025. These rate reductions are necessary to enable the NC Medicaid program to operate within the funding appropriated by the North Carolina General Assembly (NCGA) for SFY 2025-26.

In response to the public notice of SPA #25-0026, DHB received a total of 127 timely comments from beneficiaries, providers, academics, and other interested parties. Overall, the comments expressed concern about the rate reductions and the impact that this SPA will have on North Carolina Medicaid beneficiaries and providers.

Chief DHB Response

The budget passed by the North Carolina General Assembly does not fully fund the state portion of North Carolina Medicaid. As a result, there is a \$319 million shortfall in state funds. North Carolina Medicaid must operate with the budget that has been appropriated by the General Assembly. To address this gap, North Carolina Medicaid must cut its costs to stabilize the overall program. Nearly every part of the North Carolina Medicaid program is affected, including lower payment rates for providers, elimination of coverage of some services, and fewer staff overseeing the program. North Carolina Medicaid reduced administrative costs and non-essential contracts, reduced workforce, implemented across the board reductions in Standard Plan managed care capitation payments as a first-line response. This helped minimize the impact of rate reductions on providers and help to continue to enlist enough providers so that NC Medicaid covered services are available to beneficiaries at least to the same extent that those services are available to the general population.

DHB understands that these changes place a burden on beneficiaries, their families and on providers. NC Medicaid is committed to working with state and federal policymakers to ensure beneficiaries can access affordable, quality health care. Five key considerations informed the decision-making process used to reduce expenses in accordance with the appropriated budget. 1) Minimize the impact to services for vulnerable populations like children and people with disabilities, 2) Minimize impact to the critical behavioral health

services so the state can continue making progress in addressing the current behavioral health crisis, 3) Minimize impact to providers who have not had rate increases for over a decade, 4) Minimize impact to home and community-based services since the alternative is higher cost care in institutional settings, 5) Make reductions that are more easily reversible (for example: rate cuts versus eliminating whole services) in case additional funding becomes available or utilization trends show a more favorable long-term broadcast. Unfortunately, these considerations conflicted with each other at times, or it was unavoidable to impact a prioritized service or population. In these situations, NC Medicaid worked hard to minimize the reduction as much as possible.

There are several new factors that make Medicaid budget reductions necessary this year absent a fully funded rebase: no additional federal receipts, restricted funds from other sources, and no buffer in the Medicaid budget. In the past, budget gaps were covered by additional COVID-19 federal pandemic funds which have now ended. In some cases, funds that were available due to the COVID-19 public health emergency were used to temporarily increase rates, with rates then being sustained through general appropriations.

DHB recognizes the potential impact that these actions will have on providers and beneficiaries. To mitigate these impacts, DHB will continue to engage the North Carolina General Assembly to fully fund the rebase and track and monitor the impact of these changes on the provider network and access to care. If additional state appropriations become available, rates will be readjusted as expeditiously as possible.

Public Comment Details and Relevant Additional Information

The following sections, arranged by subject area, include more detail on the comments received from September 29, 2025, to October 30, 2025. In instances where DHB has additional response to the comments than the “Chief DHB Response,” the remarks follow the subject area section.

General concerns

DHB received 33 comments that expressed overarching concern about the rate reductions and their impact on beneficiaries, their families, providers, and the healthcare system in North Carolina. Commenters were concerned that providers will either struggle financially or will stop accepting Medicaid patients due to financial strain, leading to access barriers for patients and worsening of health outcomes.

Specifically, 17 comments were general, one expressed concern particularly for smaller provider organizations, one expressed concern particularly for pediatricians, four expressed concerns around access to care for foster families and adoptive families, eight

expressed concerns about access to care for individuals with disabilities, two expressed concern particularly around mental health and SUD services.

Concerns about HCBS services and Workforce

DHB received ten comments expressing concern about home and community-based services (HCBS), including the Community Alternatives Program for Disabled Adults (CAP/DA), the Community Alternatives Program for Children (CAP-C), Innovations waiver, and 1915(i) services. Commenters shared that HCBS agencies and beneficiaries already have difficulties attracting, recruiting, and retaining workers. They expressed concern that these rate reductions will worsen the workforce crisis, which in turn can limit access to care for beneficiaries. They also expressed concern that individuals working in HCBS workforce roles (direct service providers, private duty nurses, etc.) may no longer be able to make ends meet.

Concerns about impact on RB-BHT services

DHB received 89 comments expressing concern about the size of the 10% rate reduction for Research Based-Behavioral Health Treatment (RB-BHT) services, a service for individuals with autism. The majority were from the same provider organization. Commenters emphasized the impact that RB-BHT can have on beneficiary's lives and expressed concern that rate reductions would reduce access to the service.

Supplemental DHB Response

DHB understands the deep concern among autism providers and partners regarding the upcoming Medicaid rate reductions. These cuts are not a reflection of the potential importance of the service for people with autism, but rather the result of a State-level budget shortfall that has forced difficult decisions to sustain access to care for all beneficiaries. The 10% reduction for RB-BHT is due to 1) the rapid growth in demand for autism services, which has increased Medicaid expenditures in this area, and 2) the need to preserve core Medicaid services.

DHB recognizes the strain these changes may place on provider capacity and service access. As it moves forward, DHB remains committed to working with legislative and administrative partners to ensure transparency, fiscal stewardship, and the continued delivery of high-quality care in this space while balancing the needs of all beneficiaries, including continued availability of other types of services for those who use RB-BHT services need. Additionally, DHB will comply with the preliminary injunction issued by Wake County Superior Court in M.Q. et al v. DHHS (25 CV 039433-910). The State Plan Amendment may be adjusted before it is submitted to CMS based on the most recent order in the case.

Lastly, DHB welcomes ongoing dialogue to explore policy and funding strategies that support long-term sustainability while meeting the needs of individuals with autism and their families. On October 30, 2025, DHB released a policy paper entitled “Ensuring Person-Centered Care for Children with Autism Spectrum Disorder in the NC Medicaid Program” for public feedback. This paper presents proposed policy actions intended to align the program with national clinical practice guidance, stabilize utilization and spending, and ensure access to high-quality, medically necessary care for children and youth with Autism Spectrum Disorder and invited public engagement.

Concern about Intermediate Care Facilities (ICF) and PCS rates

DHB received six comments expressing concern about size of 8% cut to ICFs. Commenters expressed concern about the impact on the ability of ICF homes to function. Commenters emphasized the potential impact on beneficiaries who have the right to live in the least restrictive environment possible and who thrive in ICFs and have limited options for other settings where they may thrive.

DHB received five total comments expressing concern about the 8% reduction to personal care services (PCS) rates and impact on provider agencies, PCS workers, and beneficiaries. Three of these comments expressed concern and requested clarification about the scope of the PCS rate reduction in the context of the CAP/DA and CAP/C waivers. The CAP/DA and CAP/C rate reductions were initially shared at 3%, and PCS rates were separately communicated at 8%. It had not previously been clear to some commenters that PCS provided within CAP waivers would be reduced by 8%. In one case, there was also a request for more specificity around what codes count as a PCS service.

Supplemental DHB Response

DHB understands that these changes may place a burden on individuals and families who depend on ICFs, PCS, and their providers. Nearly every part of the North Carolina Medicaid program is affected. To reduce the program by \$319 million, reductions had to be applied to areas with the greatest costs. These choices are difficult and reflect the current fiscal reality. DHB explored many options to minimize the impact on providers and beneficiaries, with a focus on minimizing the impact on the most vulnerable beneficiaries. However, a uniform rate reduction across all providers would have resulted in a rate reduction of more than 9%. Targeted reductions prevent even deeper across-the-board impacts. These larger reductions were targeted toward programs that had more recently received rate increases, with additional consideration for size of previous year expenditures on the service. If additional state appropriations become available, rates will be readjusted as expeditiously as possible.

CAP PCS rates historically have been aligned with fee-for-service PCS rates, based on the comparable service levels provided by both. In the past, when rate increases were implemented, the provider community has stressed to DHB that PCS fee-for-service and CAP PCS rates should be treated the same. Fee-for-service PCS is being reduced by 8%, so to maintain that alignment, DHB has applied the same 8% reduction to CAP PCS services. Non-PCS CAP services rate reductions are receiving a 3% reduction in alignment with TBI, Innovations, and 1915(i) services. For more information about what constitutes PCS services with CAP/DA and CAP/C waivers, please see the FAQs posted on North Carolina Medicaid's website: [October 1, 2025 NC Medicaid Rate Reduction Questions and Answers | NC Medicaid](#).

DHB will comply with the Temporary Restraining Order issued by the Office of Administrative Hearings in *NCALA et. al v. DHHS* (25 DHR 04089) while it continues to engage the North Carolina General Assembly to fully fund the rebase and track and monitor the impact of all reimbursement changes on the provider network and access to care. The State Plan Amendment may be adjusted before it is submitted to CMS based on the most recent order in the case.

Concerns about outpatient specialized therapies

One commenter pointed out that the latest posted fee schedule indicated 8% rate reduction for outpatient specialized therapies, when it was initially communicated as a 3% reduction.

Supplemental DHB Response

This has been corrected in an updated fee schedule, posted on Oct. 2, 2025.

Request for additional information

Two commenters requested to view the full SPA package.

Supplemental DHB Response

The SPA package will be posted on NC Medicaid's State Plan Public Notice webpage once complete.

Other

One commenter suggested that funding be redirected from other agencies to fund direct Medicaid services. Another commenter suggested that DHB use the Medicaid Contingency Reserve.

Supplemental DHB Response

DHB can only work with the budget allocated to for Medicaid services; it is the North Carolina General Assembly's discretion how to allocate funding across agencies and programs. Using the Medicaid Contingency Reserve requires an act from the General Assembly to begin accessing the funds. DHB has presented the option of using the Medicaid Contingency Reserve to the North Carolina General Assembly and continues to work with the General Assembly on increasing appropriations as soon as possible.