NC DEPARTMENT OF HEALTH AND HUMAN SERVICES
Division of Health Benefits

JOSH STEIN • Governor
DEVDUTTA SANGVAI • Secretary
JAY LUDLAM • Deputy Secretary, NC Medicaid

SIGNATURE REQUEST MEMORANDUM

TO: Jay Ludlam DS

FROM: Ashley Blango, SPA Manager

RE: State Plan Amendment

Title XIX, Social Security Act
Transmittal #2026-0001

Purpose
Attached for your review and signature is a Medicaid State Plan Amendment (**Hospital Program Readmission Review)** summarized below, and submitted on December 23, 2025, with a due date of January 2, 2026.

Clearance
This amendment has been reviewed for both accuracy and completeness by:

Ashley Blango, Kathryn Horneffer, Todd Baustert, Tabitha Evans, Chris Gordon, Melanie Bush

Background and Summary of Request
It is recommended that you sign this State Plan Amendment submission per Centers for Medicare and Medicaid Services (CMS) protocol as head of the Single State Agency administering the Medicaid program.

The purpose of the revisions to the State Plan Amendment is to revise language around the hospital readmission review period from 72 hours to 30 days.

The proposed effective date for the SPA is January 1, 2026.

Your approval of this State Plan Amendment is requested. If you have any questions or concerns, please contact me at 919-812-6145.

State Plan Under Title XIX of the Social Security Act
Medical Assistance Program
State: North Carolina

Payments for Medical and Remedial Care and Services: Inpatient Hospital

SPECIAL SITUATIONS

(a) In order to be eligible for inpatient hospital reimbursement under this hospital inpatient reimbursement plan, a patient must be admitted as an inpatient and stay past midnight in an inpatient bed. The only exceptions to this requirement are those admitted inpatients who die or are transferred to another acute care hospital on the day of admission. Hospital admissions prior to 30 days after a previous inpatient hospital discharge are subject to review by the Division of Medical Health Benefits.

Services for patients admitted and discharged on the same day and who are discharged to home or to a non-acute care facility must be billed as outpatient services. In addition, patients who are admitted to observations status do not qualify as inpatients, even when they stay past midnight. Patients in observation status for more than 30 hours must either be discharged or converted to inpatient status.

(b) Outpatient services provided by a hospital to patients within the 24-hour period prior to an inpatient admission in the same hospital that are related to the inpatient admission shall be bundled with the inpatient billing.

HOSPITALS TRANSFERRING PATIENTS

(c) When a patient is transferred between hospitals, the transferring hospital shall receive a pro-rated per diem payment equal to the normal DRG payment divided by the ALOS (Average Length of Stay) for the DRG multiplied by the patient's actual length of stay at discharge. When the patient's actual length of stay equals or exceeds the average length of stay for the DRG at discharge, the transferring hospital receives the full DRG payment. Transfers are eligible for cost outliers if they meet the cost outlier criteria defined on Attachment 4.19-A, page 5, section (f). Hospitals transferring patients are eligible for day outliers if they meet the day outlier criteria defined on Attachment 4.19-A, section (g). The final discharging hospital shall receive the full DRG payment. Hospitals determined to be eligible for both cost or day outliers, will receive whichever is greater.

(d) Discharge of a hospital inpatient is considered to be a transfer under paragraph (c) above when the patient's discharge is assigned to one of the following listed below: