



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

KODY H. KINSLEY
SECRETARY

January 25, 2022

Deputy Administrator Daniel Tsai
U.S. Department of Health and Human Services
330 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Deputy Administrator Tsai:

On behalf of the citizens of North Carolina, I am pleased to submit to the U.S. Department of Health and Human Services (DHHS) a request to amend the North Carolina Section 1115 Demonstration Project (11-W00313/4).

North Carolina's current waiver approval authorizes significant transformations of North Carolina's Medicaid and CHIP delivery systems through a mandatory managed care program, the Healthy Opportunities Pilots (formerly known as the "Enhanced Case Management and Other Services Pilot Program"), and a waiver of the institution for mental diseases (IMD) exclusion for substance use disorder treatment. The COVID-19 pandemic and State budgetary challenges significantly delayed the implementation of managed care and most other components of North Carolina's demonstration. Accordingly, the State is seeking to amend its 1115 demonstration to reflect how the design and rollout of North Carolina's Medicaid transformation have evolved over the past several years. Key proposed changes include:

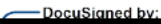
- Extending the end date of the demonstration to June 30, 2026 (from October 31, 2024) to allow for a full five years of managed care implementation and enable a more complete evaluation of key program components (or, as an alternative, shifting the starting date of the portions of the waiver other than those related to IMDs to June 2021 to maintain a 5-year waiver period);
- Adjusting which populations will not or must be covered under the Behavioral Health Intellectual/Development Disability Tailored Plans;
- Modifying certain implementation details relating to the Healthy Opportunities Pilots, including expanding eligibility for the Pilots to include certain populations; and
- Excluding the COVID-19 testing group from mandatory managed care.

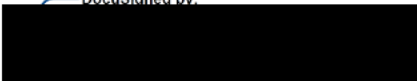
Prior to submitting this amendment, North Carolina sought feedback from the public and the Eastern Band of Cherokee Indians, North Carolina's only federally recognized tribe. Comment received from the Tribe that were broadly supportive of the waiver amendment. Additionally, public comments were generally supportive and provided some useful input for implementation.

In addition to the above amendment requests, we also request DHHS restart discussing North Carolina's proposal to create a Tribal Uncompensated Care Pool as described in its November 2017 waiver application. North Carolina and the Centers for Medicare and Medicaid Services (CMS) had resumed discussions on this request in early 2020, but these discussions were paused because of the COVID-19 pandemic. The State believes this proposal is crucial to ensuring the sustainability of and maintaining robust access to Tribal providers in the State.

Thank you for considering these requests. We greatly appreciate DHHS's continued partnership on North Carolina's 1115 waiver demonstration as we work toward our shared goals of advancing high-value care, improving population health, engaging and supporting providers, and promoting the sustainability of the Medicaid program.

Sincerely,

 DocuSigned by:


Kody H. Kinsley
Secretary

North Carolina 1115 Waiver Amendment Application

I. Introduction

The North Carolina Medicaid Reform demonstration, currently approved through October 31, 2024, is the centerpiece of North Carolina’s efforts to reform its Medicaid and CHIP delivery systems with the goals of advancing integrated, high-value care, improving population health, engaging and supporting providers, and establishing a more sustainable program with more predictable costs. The demonstration aims to achieve these goals by authorizing, among other features:

- **A mandatory managed care program¹** offering three types of integrated prepaid health plans (PHPs), including:
 - **Standard Plans** targeted to the majority of the Medicaid population, which launched in July 2021;
 - **Behavioral Health Intellectual/Development Disability Tailored Plans (BH I/DD Tailored Plans)** targeted to individuals with significant behavioral health needs and intellectual/developmental disabilities, which is scheduled to launch in 2022; and
 - **The Specialized Plan for Children in Foster Care and Formerly in Foster Care** (formerly known as the “Specialized PHP for children in foster care”), which is scheduled to launch in July 2023;
- **Healthy Opportunities Pilots** (“Pilots”; formerly known as the “Enhanced Case Management and Other Services Pilot Program”) to test the impact of providing select evidence-based, non-medical interventions related to housing, food, transportation and interpersonal safety to high-need Medicaid enrollees; and
- **A waiver of the institution for mental diseases (IMD) exclusion** for substance use disorder (SUD) treatment to expand access to the full continuum of SUD care.

While North Carolina has been implementing the waiver of the IMD exclusion since early 2019, the COVID-19 pandemic and State budgetary challenges have significantly delayed the implementation of the other components of the demonstration. After initially being slated to launch in November 2019, Standard Plans ultimately began covering enrollees on July 1, 2021, and the State is planning for the launch of the Pilots in early 2022, more than 1.5 years after originally planned.

To reflect how the design and rollout of North Carolina’s Medicaid transformation have evolved over the past several years, North Carolina is seeking to amend its 1115 demonstration. In addition to a small number of minor technical changes, key amendment requests include the following:

¹ Members of federally recognized tribes and individuals eligible for Indian Health Services are not required to enroll in a PHP.

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- **Extending the end date of the demonstration** for components other than those related to IMD to June 30, 2026 (from October 31, 2024) to allow for full implementation and robust evaluations of key waiver programs²;
- **Adjusting the coverage approach under the BH I/DD Tailored Plans**, including:
 - Requiring that certain individuals with significant behavioral health needs in residential settings enroll in the BH I/DD Tailored Plans in order to ensure that they keep coverage of all needed services;
 - Removing most dual eligible populations from the demonstration so that those individuals can continue to receive coverage through their current delivery system (i.e., through fee for service for physical health services and local management entities/managed care organizations, or LME-MCOs for behavioral health and I/DD services).³
- **Modifying implementation of the Healthy Opportunities Pilots**, including:
 - Adding a limited set of new populations (i.e., NC Health Choice (North Carolina's CHIP program) and Tribal Option enrollees), certain needs/risk-based eligibility criteria (e.g., COVID-19 diagnosis), and flexibility to add at a later date populations currently exempt or excluded from managed care; this would allow North Carolina to ensure access for a broader range of individuals who would benefit from access to appropriate Pilot services;
 - Lengthening the amount of time Pilot capacity building funds can be spent to ensure Human Services Organizations (HSOs) can leverage the funding to successfully participate in a phased-in approach to network development; and
 - Migrating (and making updates to) operational detail currently in the demonstration special terms and conditions (STCs) into a different vehicle (e.g., an attachment) in order to maintain an agile approach to the evolution of Pilot design (e.g., Pilot value-based payments, operational workflow specifics).
- **Excluding the COVID-19 testing group from mandatory managed care.**

II. Goals and Objectives of the Waiver Amendment

Through its original waiver approval, North Carolina sought to measurably improve health outcomes via a new delivery system, maximize high-value care to ensure sustainability of the Medicaid program, and reduce SUD. North Carolina expects that the implementation of three unique managed care programs, in addition to the Healthy Opportunities Pilots, will both

² North Carolina would be open, as alternative to approach, to shifting the start date of the portions of the waiver other than those related to IMDs to June 2021 to maintain a 5-year waiver period to align with the timeline for when previously approved 1115 waiver authorities were first used in North Carolina.

³ LME-MCOs are limited benefit prepaid inpatient health plans authorized under the State's 1915(b) waiver.

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improve health by delivering services (including services addressing social needs) tailored to the needs of specific populations and control costs through reduced emergency department (ED) utilization and improved management of care transitions. Furthermore, the State expects that the SUD components of the demonstration will expand access to evidence-based SUD treatment services, including evidence-based medication-assisted treatment (MAT) programs and residential SUD treatment services.

North Carolina's request to amend the demonstration seeks to provide key waiver programs a full opportunity to reach their potential by incorporating into program design lessons learned since the State's initial waiver approval. For example, the State has gained a more refined understanding over the past several years of which populations would be most appropriately served through the BH I/DD Tailored Plans and, as a result, is seeking to make minor adjustments to coverage under these plans. Additionally, the State has continued to refine its thinking on the approach to operationalizing the Healthy Opportunities Pilots based on initial implementation activities, stakeholder engagement, and the roll-out of a similar program in response to the COVID-19 pandemic (COVID-19 Support Services Program; this is discussed in greater detail in the "Healthy Opportunities" subsection below).

North Carolina also seeks to ensure a robust evaluation of all key demonstration elements by allowing for the same amount of implementation time as was originally envisioned in the STCs and the State's approved evaluation design. Under North Carolina's original waiver approval, the State envisioned awarding contracts to the Healthy Opportunities Pilot Network Leads (then known as "Lead Pilot Entities") at the beginning of DY 2 (11/1/2019), with Pilots beginning to deliver services approximately one year later (allowing for roughly four years of service delivery under the approved demonstration period). The BH I/DD Tailored Plans were envisioned to launch at the beginning of DY 4 and were intended to be operational for three years. Given implementation delays as a result of the COVID-19 pandemic, the Healthy Opportunities Pilots and the BH I/DD Tailored Plans both will have been operational for just over two years at the end of the current demonstration period. This will pose significant challenges as North Carolina seeks to engage community health services organizations in participating in the Pilots and conduct a robust evaluation of the effectiveness of these programs.

III. Proposed Changes to the Demonstration

Align Key Dates in North Carolina's STCs with Current Implementation Timing

With this waiver amendment, North Carolina is seeking to amend the end date of the demonstration period to June 30, 2026 so that key programs will be in effect for the full amount of time envisioned under North Carolina's original waiver approval. (If preferable to CMS, North Carolina would also be open to amending the start date of the demonstration to June 1, 2021, with demonstration year 1 running for 13 months, in order to maintain the five year demonstration period.)⁴ North Carolina originally intended to launch Standard Plans on November 1, 2019 (the effective date of the demonstration), but this was delayed as a result of State budget issues and subsequently by the outbreak of the COVID-19 pandemic. Standard Plans ultimately launched on July 1, 2021, but the launches of the BH I/DD Tailored Plans, Healthy Opportunities Pilots, and Specialized Plan for Children in Foster Care and Formerly in Foster Care have been pushed back further as a result of similar delays and time needed to best address the complex needs of the child welfare involved populations.

Allowing for a full five years of implementation will be critical for evaluating the success of all demonstration components, particularly the Healthy Opportunities Pilots and the BH I/DD Tailored Plans. Under the current demonstration period, the Healthy Opportunities Pilots and BH I/DD Tailored Plans would both be operational for less than two years before the expiration of the demonstration. This is a significantly shorter period of time than was envisioned in the State's original waiver approval and its approved evaluation design and could threaten the State's ability to draw meaningful conclusions in its evaluation of these program features. Furthermore, North Carolina hopes to use this opportunity to align the demonstration years with the North Carolina State Fiscal Year and PHP contract year (July 1 through June 30). This will help simplify reporting, monitoring, and evaluation.

Accordingly, North Carolina proposes to amend the demonstration years in the approved STCs as described in Table 1 below. We note that North Carolina is not proposing any changes to the demonstration years for the SUD components.

⁴ The managed care component of the waiver amendment must begin no later than June 1, 2021, since North Carolina began implementing the Healthy Opportunities Pilots during that month.

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Table 1: Proposed Amendments to Demonstration Years

Demonstration Year	Managed Care and Healthy Opportunities Pilot Components				SUD Components			
	Original Waiver Approval		Proposed Amendment		Original Waiver Approval		Proposed Amendment	
	Dates	Number of Months	Dates	Number of Months	Dates	Number of Months	Dates	Number of Months
1	N/A	N/A	N/A	N/A	1/1/2019-10/31/2019	10	1/1/2019-10/31/2019	10
2	11/1/2019-10/31/2020	12	N/A	N/A	11/1/2019-10/31/2020	12	11/1/2019-10/31/2020	12
3	11/1/2020-10/31/2021	12	N/A	N/A	11/1/2020-10/31/2021	12	11/1/2020-10/31/2021	12
4	11/1/2021-10/31/2022	12	6/1/2021-6/30/2022	13	11/1/2021-10/31/2022	12	11/1/2021-10/31/2022	12
5	11/1/2022-10/31/2023	12	7/1/2022-6/30/2023	12	11/1/2022-10/31/2023	12	11/1/2022-10/31/2023	12
6	11/1/2023-10/31/2024	12	7/1/2023-6/30/2024	12	N/A	N/A	N/A	N/A
7	N/A	N/A	7/1/2024-6/30/2025	12	N/A	N/A	N/A	N/A
8	N/A	N/A	7/1/2025-6/30/2026	12	N/A	N/A	N/A	N/A

North Carolina also proposes to update the managed care phase-in schedule to align with the amended demonstration years. In general, changes to the phase-in schedule represent a delay in all key managed care programs as a result of the COVID-19 pandemic. North Carolina also proposes modest changes to the relative staging of the managed care programs authorized under the demonstration in order to better reflect implementation realities. Under the original waiver approval, North Carolina intended to launch Standard Plans on November 1, 2019, with the BH I/DD Tailored Plans and Specialized Plan for Children in Foster Care and Formerly in Foster Care launching concurrently twenty months later on July 1, 2021. As a result of delays to Standard Plan launch (until July 1, 2021) and the COVID-19 pandemic, the State opted to delay implementation of the BH I/DD Tailored Plans until December 1, 2022. Additionally, the State opted to delay the launch of the Specialized Plan for Children in Foster Care and Formerly in Foster Care until 2023. This reflects the delays described above as well as North Carolina’s desire to ensure sufficient time to design and implement the Specialized Plan for Children in Foster Care and Formerly in Foster Care, which will serve a uniquely vulnerable population with significant needs. See Table 2 for a revised Managed Care Phase-in Schedule.

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Table 2: Managed Care Phase-in Schedule⁵

Populations Defaulted into Each Delivery System	DY 4	DY 5	DY 6-8
Medicaid beneficiaries except those who are (1) excluded, (2) exempted and who choose not to enroll in a Standard Plan, or (3) enrolled in a BH I/DD Tailored Plan or Specialized Plan for Children in Foster Care and Formerly in Foster Care	Standard Plan	Standard Plan	Standard Plan
Medicaid beneficiaries eligible to enroll in BH I/DD Tailored Plans except populations listed below	Medicaid fee-for-service/LME-MCO	BH I/DD Tailored Plan	BH I/DD Tailored Plan
Legal aliens eligible to enroll in BH I/DD Tailored Plans	Medicaid fee-for-service	BH I/DD Tailored Plan	BH I/DD Tailored Plan
Children under age three eligible to enroll in BH I/DD Tailored Plans	Medicaid fee-for-service (Children 0-3 of age are excluded from LME-MCOs)	BH I/DD Tailored Plan	BH I/DD Tailored Plan
Innovations waiver enrollees ⁶	Medicaid fee-for-service/LME-MCO	BH I/DD Tailored Plan	BH I/DD Tailored Plan
Traumatic Brain Injury waiver enrollees ⁷	Medicaid fee-for-service/LME-MCO	BH I/DD Tailored Plan	BH I/DD Tailored Plan

⁵ Individuals may have the option to enroll in a different plan. This chart shows which plan will be the default plan.

⁶ All Innovations waiver enrollees including certain children in foster care, NC Health Insurance Premium Payment (HIPP) program participants, medically needy beneficiaries, and beneficiaries who are dually eligible for Medicare and Medicaid (in addition to those otherwise excluded from managed care) will obtain coverage through Medicaid fee-for-service/LME-MCOs during DY 4 before enrolling in BH I/DD Tailored Plans in DY 5.

⁷ All TBI waiver enrollees including children in foster care, NC HIPP program participants, medically needy beneficiaries, and beneficiaries who are dually eligible for Medicare and Medicaid (in addition to those otherwise excluded from managed care) will receive coverage through Medicaid fee-for-service/LME-MCOs during DYs 3-4 before enrolling in BH I/DD Tailored Plans in DY 5.

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Populations Defaulted into Each Delivery System	DY 4	DY 5	DY 6-8
Children in county-operated foster care; children in adoptive placements; North Carolina former foster youth up until age 26 who aged out of foster youth in North Carolina; and, children of any such individuals.	Medicaid fee-for-service/ LME-MCO	Medicaid fee-for-service/ LME-MCO	Specialized Plan for Children in Foster Care and Formerly in Foster Care

Update STCs to Reflect Changes in Program Design

BH I/DD Tailored Plans

Requiring Certain Populations to Enroll in a BH I/DD Tailored Plan

BH I/DD Tailored Plans will be specialized managed care products targeted toward individuals with significant behavioral health needs, I/DD or traumatic brain injury, and will offer a more robust behavioral health and I/DD benefit package than what is offered by Standard Plans. As authorized by the current STCs, enrollees with significant behavioral health needs, an I/DD, or traumatic brain injury (TBI) who meet the BH I/DD Tailored Plan eligibility criteria and are not in a managed care excluded or exempted group will be enrolled by default into the BH I/DD Tailored Plan in their region, but will have the choice to enroll in a Standard Plan. As required by North Carolina State law, Standard Plans will not offer certain intensive State Plan services (e.g., intermediate care facility for individuals with intellectual disabilities (ICF-IID), assertive community treatment), Innovations (I/DD) and traumatic brain injury (TBI) 1915(c) waiver services, and State-funded services. Accordingly, individuals must enroll in a BH I/DD Tailored Plan in order to access these services.

Following the launch of the Standard Plans on July 1, 2021, North Carolina distributed notices to BH I/DD Tailored Plan-eligible populations informing them that they would remain in the current FFS (and LME-MCO when applicable) delivery system prior to BH I/DD Tailored Plan launch but had the option to enroll in a Standard Plan. After receiving these notices, many individuals—including some in residential settings that are not covered under Standard Plans—voluntarily opted to enroll in Standard Plans, which could have caused these individuals to lose coverage for needed residential treatment services. North Carolina was able to mitigate the issue by requiring that these individuals consult with a choice counselor before opting to

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change delivery systems. However, the approved STCs currently do not authorize North Carolina to *prohibit* these individuals from voluntarily enrolling in a Standard Plan that would not cover all of their needed services.

Based on this experience, North Carolina has determined that it is essential to *require* that certain individuals in residential settings enroll in a BH I/DD Tailored Plan, instead of *defaulting* into a BH I/DD Tailored Plan, so that they retain access to critical services that enable them to live safely in their current residence that will only be offered through this managed care product. Accordingly, North Carolina seeks a waiver to require that individuals meeting one of the following criteria enroll in a BH I/DD Tailored Plan (members of a federally recognized Tribe are exempt from mandatory enrollment in a PHP): resides in an ICF-IID, participates in North Carolina's Transitions to Community Living Initiative, enrolled in the Innovations or TBI 1915(c) waiver, or lives in State-funded residential treatment (i.e., individuals receiving services to support them in their residence/housing setting, including services supporting voucher-based independent tenancy and services provided in group homes or other non-independent settings such as Group Living, Family Living, Supported Living, and Residential Supports). Under this proposal, these individuals would have the choice to enroll in a Standard Plan when they are no longer using residential services.

Modify the Coverage Approach for Individuals who are Dually Eligible for Medicare with Significant Behavioral Health Needs and I/DD

The current STCs contemplate that dual eligibles with significant behavioral health and I/DD needs will enroll in a BH I/DD Tailored Plan following their launch for Medicaid-covered behavioral health and I/DD services, while obtaining Medicaid-covered physical health services, pharmacy services, and long-term-services and supports through Medicaid fee-for-service. In recent months, North Carolina has determined that it will continue to offer the State's existing behavioral health delivery system—behavioral health limited benefit prepaid inpatient health plans called LME/MCOs that are authorized via the State's 1915(b) waiver—after the launch of BH I/DD Tailored Plans, instead of phasing out the prepaid inpatient health plans as initially contemplated. North Carolina believes that dual eligibles will be best served by remaining in their existing behavioral health and I/DD delivery system, and as a result, the State is requesting to remove these dual eligibles from the populations included in the 1115 demonstration, with the exception of dual eligibles enrolled in the State's Innovations and TBI 1915(c) waiver programs. To keep nearly all waiver enrollees in the same managed care product, dual eligible enrollees who are participating in the Innovations or TBI 1915(c) waiver programs would enroll

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in BH I/DD Tailored Plans for all Medicaid-covered services and will remain in the 1115 demonstration.⁸

This proposed change would mean that most dual eligibles (except for those enrolled in the State's Innovations and TBI 1915(c) waiver programs) would be ineligible for services through the Healthy Opportunities Pilots, since they would be excluded from enrollment in a Prepaid Health Plan. North Carolina believes this approach is appropriate since it would align coverage for these individuals with other dual eligible enrollees (i.e., those without significant behavioral health needs or an I/DD). This change would not represent a reduction in current benefits since the Healthy Opportunities Pilots are not currently providing services and are not expected to begin doing so until early 2022 and even later for those individuals enrolling in BH I/DD Tailored Plans. North Carolina also notes that Pilot services are not State Plan services, and Medicaid beneficiaries are not entitled to access to such services. As discussed in the next section, North Carolina is seeking flexibility to add populations exempt or excluded from managed care to the Pilots; under this authority, the State could consider making all dual eligibles eligible for Pilot services at a later date.

Healthy Opportunities Pilots

North Carolina has made significant progress on implementing the Healthy Opportunities Pilots, despite the temporary suspension in North Carolina's Medicaid Managed Care launch and the ongoing COVID-19 pandemic. During the delay caused by managed care suspension and the pandemic, North Carolina quickly launched a COVID-19 Support Services Program to provide support services (e.g., home delivered groceries and meals) to individuals requiring isolation and quarantine. This program significantly leveraged key Pilot design features, including contracting with social service organizations to deliver services and reimbursing them based on the Pilot Service Fee Schedule. Since its launch in August 2020, the program has provided services to more than 41,800 households and provided the Department with "real world" experience that is being incorporated back into Pilot design and implementation, including, for example a better understanding of the technical assistance needed for social service

⁸ Tribal members enrolled in the Tribal Option PCCM and receiving services through the Innovations or TBI 1915(c) waivers will not be required to enroll in the BH I/DD Tailored Plans. The State will be submitting 1915(b) waiver amendments to effectuate these changes.

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organizations to track and report service delivery and on important adjustments to Fee Schedule rates.

North Carolina has also taken significant steps toward implementing the Pilots themselves. The State awarded three Network Lead⁹ (NL) contracts in May 2021. These entities will develop the networks of human service organizations (HSOs) that will provide Pilot services to Pilot enrollees, and each defined their Pilot regions, which collectively cover 33 of North Carolina's 100 counties. These three regions, located in the far west, east and southeast of North Carolina, include very rural parts of the State and reflect North Carolina's racial and ethnic diversity. Further, NLs have begun building their networks of HSOs, beginning a formal application, assessment and readiness review process. Through an ongoing, collaborative engagement process with PHPs and NLs, North Carolina has also prepared for Pilot launch by developing detailed Pilot eligibility, enrollment, service authorization and referral processes and standardized model contracts that will govern the relationships between PHPs and NLs and NLs and their networks of HSOs. Additionally, the Department has engaged in a particularly intensive, collaborative process to build trust with and address critical issues to enable organizations that deliver interpersonal violence (IPV) related services to participate in the Pilots. Finally, North Carolina has worked closely with its technology vendor Unite Us to develop and launch NCCARE360, a statewide electronic resource and referral platform, which is being tailored to serve as the core IT infrastructure for the Pilots by enabling Pilot referrals, data exchange, and invoicing among Pilot entities.

Based on its experiences with the COVID-19 Support Services program and on the ground Pilot implementation to date, North Carolina is proposing select amendments to the existing 1115 waiver. We describe each of these below.

Expand Eligibility for Pilot Services

North Carolina seeks to ensure that eligibility is extended to all populations that would benefit from Pilot services. Under the current STCs, only Medicaid enrollees located in a Pilot region and enrolled in a PHP are eligible to receive Pilot services. North Carolina now believes that several additional populations would benefit from access to Pilot services. Accordingly, the State proposes through this amendment to expand eligibility to the following groups:

- **Children enrolled in NC Health Choice (S-CHIP).** Since the Pilots are currently open only to Medicaid enrollees, NC Health Choice enrollees, though generally enrolled in PHPs, are ineligible to receive Pilots services under the current STCs. North Carolina believes

⁹ This entity is referred to as the "Lead Pilot Entity" in the approved 1115 waiver STCs.

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that children in NC Health Choice would benefit from the rich array of services that will be offered through the Pilots and is requesting the ability to enroll them in this program.

- **Individuals enrolled in the Tribal Option.** Individuals enrolled in the EBCI Tribal Option PCCM program are also ineligible to receive Pilot services under the current STCs since they are not enrolled in a PHP, as defined under the Demonstration. North Carolina seeks to allow Tribal Option enrollees to access Pilot services by permitting the Tribal PCCM entity to authorize and manage a budget for Pilot services (in a manner similar to PHPs). This request recognizes the critical role that the EBCI Tribal Option, which launched in July 2021, will play in serving Tribal members during North Carolina's Medicaid transformation. The request also recognizes that there will be overlap between one of the chosen Pilot regions and the EBCI Tribal Option service area.
- **Additional flexibility to add other populations.** The State also requests a mechanism to make other populations currently exempt or excluded from Standard Plans and BH I/DD Tailored Plans eligible for Pilot services at a later date.

North Carolina also seeks to modify the needs- and risk-based eligibility criteria for receiving Pilot services in order to expand eligibility to additional populations that would benefit from access to Pilot services. For example, North Carolina proposes to add the following criteria:

- **Current or long-term COVID-19.** Individuals suffering from the effects of COVID-19 often require assistance to allow them to safely isolate until recovery. Services available through the Pilots will significantly aid these individuals through recovery process while also protecting other household members from potential infection.
- **Former foster care involvement.** Individuals formerly involved in the foster care system are at significantly elevated risk of poor health and economic outcomes during adulthood and would greatly benefit from access to Pilot services.

Extend the Availability of Pilot Capacity Building Funds

In the existing 1115 waiver, CMS approved the use of a portion of Pilot funding for capacity building in order to ensure NLs and HSOs can successfully execute their Pilot-related responsibilities. The capacity building funds are only available for the first 24 months of a NL's contract with the State. Due to the delay in the launch of managed care and the COVID-19 pandemic, North Carolina is accelerating the timeframe provided to PHPs and NLs to prepare for Pilot service delivery. NLs will launch their networks and Pilot services in February 2022 but are permitted to phase-in HSOs and the availability of all Pilot services over additional time. North Carolina seeks to ensure that not only Network Leads but also their HSOs can receive and fully leverage Pilot capacity building funding to successfully participate in a phased-in approach

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to network development. Therefore, North Carolina is requesting an extension beyond the initial 24 months when capacity building funding is available to support HSOs that become part of the network after initial launch.

Update and Migrate Operational Detail from the STCs to a Different Vehicle

The current STCs contain a significant level of Pilot operational detail, much of which has evolved since North Carolina's demonstration was first approved in 2018 based on information learned through stakeholder engagement and North Carolina's COVID-19 Isolation and Quarantine Support Services Program. Accordingly, North Carolina seeks to update and move certain operational details from the STCs into a different vehicle (e.g., an attachment) in order to maintain an agile approach to the evolution of Pilot design, as contemplated in the Rapid Cycle Assessment approach to evaluation. Examples of features that North Carolina would seek to update and move into an alternative vehicle include, for example:

- Detailed Pilot value-based payment methodologies by Pilot demonstration year;
- Details on Pilot funds flow, invoicing, and payment roles and responsibilities;
- Roles and responsibilities related to Pilot program integrity, though ultimate responsibility remains with the State; and
- Screening tools used to support identification of Pilot social risk factors.

Excluding the COVID-19 Testing Group from Mandatory Managed Care

North Carolina seeks to exclude the COVID-19 Testing eligibility group from mandatory enrollment in PHPs consistent with State statute. North Carolina believes that continuing to serve these enrollees through the Medicaid fee-for-service delivery system will minimize disruptions in care and administrative burden for enrollees, PHPs, and North Carolina.

Delivery System, Eligibility Requirements, Benefits, and Cost Sharing

Unless otherwise noted, proposed changes as part of this amendment will apply to all populations affected by the demonstration. Except to the extent modified in this amendment, the health care delivery system, eligibility requirements, benefits, and cost-sharing will be the same as under the existing demonstration.

IV. Summary of Waiver and Expenditure Authorities Requested

Table 3 below lists the additional waivers and expenditure authorities that North Carolina is seeking to support the policies described above.

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Table 3: Waiver Authorities Requested

Policy	Waiver/Expenditure Authority	Statutory and Regulatory Citation
Require certain populations to enroll in a BH I/DD Tailored Plan.	Waive methods of administration requirements to permit the State to mandate enrollees using certain specialized services into a single managed care organization and restrict disenrollment from them.	Section 1902(a)(4)

V. Budget Neutrality

North Carolina analyzed the impact of the proposed waiver amendment on its existing budget neutrality estimates under the approved demonstration. We describe key expenditure and enrollment estimates in Table 4 below. These estimates are based on the following modifications to the budget neutrality model approved by CMS on October 24, 2018:

1. Trending forward CMS-approved per capita expenditure figures utilizing the CMS-approved trend rates in order to align with the new demonstration years proposed in this amendment.
2. Adjusting eligible member months and the included per capita caps to reflect North Carolina's plan to implement BH I/DD Tailored Plans on December 1, 2022 (the approved waiver assumes BH I/DD Tailored Plans launched on July 1, 2021).
3. Updating member months to consider more recent enrollment levels as well as updated enrollment projections from the State.
4. Applying a utilization factor in DYs 4 and 5 to reflect BH I/DD Tailored Plan launch being delayed until December 1, 2022.
5. Removing dual eligible members other than those in the Innovations/TBI eligibility group. The waiver amendment proposes that dual eligible members will no longer be covered under managed care via the 1115 waiver and instead will remain enrolled in the State's limited benefit PIHP authorized under the State's 1915(b) waiver.

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Table 4: Waiver Budget Neutrality Estimates

ELIGIBILITY GROUP	DY 04¹⁰ (06/21 - 06/22)	DY 05 (07/22 - 06/23)	DY 06 (07/23 - 06/24)	DY 07 (07/24 - 06/25)	DY 08 (07/25 - 06/26)	Total Demonstration
Aged, Blind, and Disabled						
Eligible Member Months	1,436,117	1,847,036	2,194,819	2,227,742	2,261,158	
Without Waiver Cost Per Eligible	\$2,182.38	\$2,279.96	\$2,381.90	\$2,488.40	\$2,599.67	
Supp Payment	\$16.19	\$16.91	\$17.67	\$18.46	\$19.28	
Tailored Plan Utilization Factor	0.9745	0.9894	1.0000	1.0000	1.0000	
Without Waiver Cost Per Eligible After TP Adjustment	\$2,142.50	\$2,272.46	\$2,399.57	\$2,506.86	\$2,618.95	
Without Waiver Expenditures	\$3,076,877,841	\$4,197,318,040	\$5,266,613,567	\$5,584,632,260	\$5,921,854,165	\$24,047,295,873
TANF & Related Children						
Eligible Member Months	12,051,677	10,854,923	11,252,166	11,420,949	11,592,263	
Without Waiver Cost Per Eligible	\$262.04	\$266.83	\$271.71	\$276.69	\$281.75	
Supp Payment	\$1.87	\$1.90	\$1.94	\$1.97	\$2.01	
Tailored Plan Utilization Factor	0.9558	0.9816	1.0000	1.0000	1.0000	
Without Waiver Cost Per Eligible After TP Adjustment	\$252.24	\$263.78	\$273.65	\$278.66	\$283.76	
Without Waiver Expenditures	\$3,039,907,690	\$2,863,357,144	\$3,079,168,890	\$3,182,550,446	\$3,289,402,986	\$15,454,387,156
TANF & Related Adults						
Eligible Member Months	4,243,664	3,571,612	3,782,803	3,839,545	3,897,138	
Without Waiver Cost Per Eligible	\$742.08	\$777.70	\$815.03	\$854.16	\$895.16	
Supp Payment	\$7.22	\$7.56	\$7.92	\$8.31	\$8.70	
Tailored Plan Utilization Factor	0.9595	0.9831	1.0000	1.0000	1.0000	
Without Waiver Cost Per Eligible After TP Adjustment	\$718.95	\$772.01	\$822.96	\$862.46	\$903.86	
Without Waiver Expenditures	\$3,050,994,424	\$2,757,335,935	\$3,113,089,965	\$3,311,456,058	\$3,522,462,037	\$15,755,338,419
Innovations/TBI						
Eligible Member Months		105,000	182,700	185,441	188,222	
Without Waiver Cost Per Eligible		\$7,831.96	\$8,139.01	\$8,458.09	\$8,789.67	
Supp Payment		\$4.80	\$4.99	\$5.19	\$5.39	
Tailored Plan Utilization Factor		1.0000	1.0000	1.0000	1.0000	
Without Waiver Cost Per Eligible After TP Adjustment		\$7,836.77	\$8,144.00	\$8,463.27	\$8,795.06	
Without Waiver Expenditures		\$822,860,623	\$1,487,908,470	\$1,569,433,598	\$1,655,425,632	\$5,535,628,323
Without Waiver Total Expenditures	\$9,167,779,954	\$10,640,871,742	\$12,946,780,892	\$13,648,072,362	\$14,389,144,820	\$60,792,649,771

¹⁰ North Carolina notes that budget neutrality limits with respect to the managed care component of the demonstration were not effective until 7/1/2021, concurrent with the launch of Standard Plans.

VI. Evaluation

In its current waiver approval, North Carolina articulated the following demonstration goals:

1. Measurably improve health outcomes via a new delivery system;
2. Maximize high-value care to ensure sustainability of the Medicaid program; and
3. Reduce SUD.

North Carolina's request to amend the demonstration period will allow all components of the demonstration a full opportunity to realize these goals and allow the State to test all associated hypotheses.

North Carolina's requests to make changes to coverage under the BH I/DD Tailored Plans and modify implementation of the Healthy Opportunities Pilots seek to advance Goal #1 and can be evaluated under hypotheses for Goal #1, as described in the State's current waiver approval, which include the following:

- The implementation of BH I/DD Tailored Plans and the Specialized Plan for Children in Foster Care and Formerly in Foster Care will increase the quality of care for individuals with serious mental illness, serious emotional disturbance, SUD, and I/DD, and for children in foster care and North Carolina former foster care youth.
- The implementation of Medicaid managed care will increase the rate of use of behavioral health services in the appropriate level of care and improve the quality of behavioral health care received.
- The implementation of Medicaid managed care will decrease the long-term use of opioids and increase the use of medication-assisted treatment (MAT) and other opioid treatment services

North Carolina proposes adding the following hypothesis with respect to the request to require certain individuals (i.e., those residing in an ICF-IID, participating in North Carolina's Transitions to Community Living Initiative, enrolled in the Innovations or TBI 1915(c) waiver, or living in State-funded residential treatment) enroll in the BH I/DD Tailored Plans:

- Requiring individuals residing in an ICF-IID, participating in North Carolina's Transitions to Community Living Initiative, enrolled in the Innovations or TBI 1915(c) waiver, or living in State-funded residential treatment will minimize disruptions in critical services.

North Carolina plans to conduct an analysis of claims and encounter data to test this new hypothesis. The State plans to identify any individuals who previously resided in a residential treatment setting impacted by this waiver amendment covered through an LME-MCO and subsequently chose to switch into a Standard Plan. North Carolina will then determine if these

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individuals suffered a higher rate of adverse outcomes after switching plans (e.g., emergency department utilization and use of crisis services) relative to similarly situated individuals who did not opt into a Standard Plan.

VII. Public Process

The public process for submitting this amendment conforms with the requirements of STC 15, including public notice requirements outlined in 42 CFR § 431.408 and Tribal consultation requirements described in section 1902(a)(73) of the Act, 42 CFR § 431.408(b), State Medicaid Director Letter #01-024, and North Carolina's approved Medicaid State Plan. The State notes that this public process went well beyond the minimum requirements for amendments set forth in 59 Fed. Reg. 49249 (September 27, 1994), reflecting North Carolina commitment to engaging stakeholders and providing meaningful opportunities for input throughout the waiver amendment process.

Public Notice Process

North Carolina released this waiver amendment for public comment starting on November 18, 2021 and allowed the public to submit comments through December 27, 2021. The State posted the public notice materials (including the full public notice and abbreviated public notice, both of which included details on how to submit comments) and the full amendment request on the North Carolina Department of Health and Human Services (NC DHHS) [website](#). The State also published the abbreviated public notice in the newspapers of widest circulation in each city in North Carolina with a population of at least 100,000.

North Carolina hosted four public hearings to seek input regarding the amendment. Hearings were held on November 17, November 22, November 30, and December 10, 2021. The public hearings included presentations from NC DHHS staff describing the proposed changes under the amendment and providing opportunities for public testimony.

Responses to Public Comments

North Carolina received comments from a variety of stakeholders during the public notice period, including consumer advocates, providers, health plans, and others. Comments were generally supportive of the changes or sought clarification on various issues. Accordingly, North Carolina is not proposing any changes to the waiver amendment based on public comment. We describe key themes from the comments and respond to key stakeholder concerns below.

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Comment: NC DHHS received several comments on its proposal to require individuals in certain residential treatment settings to enroll in a BH I/DD Tailored Plan. Several commenters requested that NC DHHS allow Standard Plans to cover a broader array of behavioral health services (including behavioral health residential treatment services) in order to allow for greater member choice.

NC DHHS Response: NC DHHS appreciates the commenters' desire to ensure member choice and has sought to preserve member choice where possible and appropriate. Most individuals enrolled in BH I/DD Tailored Plans will have the ability to choose to enroll in a Standard Plan. However, NC DHHS believes it is critical for individuals in certain residential settings covered only by BH I/DD Tailored Plans (i.e., individuals residing in an ICF-IID, participating in North Carolina's Transitions to Community Living Initiative, enrolled in the Innovations or TBI 1915(c) waiver, or living in State-funded residential treatment) to remain enrolled in BH I/DD Tailored Plans in order to ensure that these individuals do not lose coverage of needed services and are able to maintain their current place of residence. While NC DHHS also appreciates the desire for allowing Standard Plans to cover these residential treatment services, NC DHHS notes that North Carolina state law requires that these services be offered only through BH I/DD Tailored Plans (see N.C. Gen. Stat. § 108D-35).

Comment: NC DHHS received several comments on impact of the amendment on dual eligibles and the State's general approach to integrating dual eligibles into managed care. Several commentators encouraged NC DHHS to accelerate its timeframe for enrolling dual eligibles in managed care, including allowing individuals that do not meet BH I/DD Tailored Plan eligibility criteria to enroll in Standard Plans.

NC DHHS Response: As noted by several commenters, North Carolina is required by North Carolina state law to begin enrolling dual eligibles in managed care within five years of the launch of PHPs (see N.C. Gen. Stat. § 108D-40). Given that PHPs did not launch until July 1, 2021, North Carolina is not statutorily required to enroll dual eligibles in managed care until July 1, 2026. NC DHHS appreciates commenters desire for dual eligibles to have the option to enroll in managed care, but it believes that it is most appropriate for dual eligibles to remain in their current delivery system (i.e., obtaining Medicaid-covered physical health services, pharmacy services, and long-term-services and supports through Medicaid fee-for-service and behavioral health and I/DD services through limited benefit prepaid inpatient health plans called LME/MCOs) for the time being while NC DHHS refines its strategy for covering these individuals through managed care. North Carolina will seek to amend its Section 1115 demonstration to add dual eligible populations at the appropriate time (though is not adding these populations through this amendment).

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Comment: Several commenters sought clarification on North Carolina’s approach to covering children/youth in foster care through managed care.

NC DHHS Response: As described in its [white paper](#), North Carolina plans to launch a comprehensive managed care product providing enhanced, tailored supports for children/youth in foster care/adoption assistance and former foster youth (referred to in the State’s approved waiver as the “Specialized Plan for Children in Foster Care and Formerly in Foster Care”). North Carolina intends to procure a single, statewide health plan to operate this product, which is tentatively scheduled to launch in 2023.

Comment: Several commenters sought clarification on the State’s approach to complying with a recent state legislative requirement that NC DHHS seek approval from CMS to allow parents to maintain Medicaid eligibility when the parent has lost custody of the child and is making reasonable efforts to comply with a court-ordered plan of reunification.

NC DHHS Response: As directed by the North Carolina legislature, NC DHHS intends to seek approval from CMS to allow parents who have recently lost custody of a child to maintain their Medicaid eligibility. NC DHHS intends to provide these individuals with the option to enroll in the same managed care product as children/youth in foster care/adoption assistance and former foster youth. NC DHHS plans to pursue a separate waiver amendment to add this population to the demonstration.

Comment: Several commenters requested that NC DHHS allow Standard Plans to cover a wider range of SUD treatment services. Several expressed concern about disrupting a members’ access to critical services by defaulting them to coverage through a BH I/DD Tailored Plan.

NC DHHS Response: NC DHHS appreciates and agrees with commenters’ concerns around ensuring continuity of care for individuals with SUD. However, NC DHHS notes that the range of services covered by Standard Plans and BH I/DD Tailored Plans is prescribed in North Carolina state statute (see N.C. Gen. Stat. § 108D-35). NC DHHS believes that in light of these requirements, individuals with severe SUD will be best served by defaulting to the BH I/DD Tailored Plan delivery system, which will provide an enhanced set of benefits and a specialized care management model tailored to the unique needs of this population. Individuals with severe SUD who would prefer to enroll in a Standard Plan will have the option to do so (except for those residing in certain residential treatment settings, as described above).

Comment: Several commenters requested that PHPs be involved in operational planning efforts related to extending Healthy Opportunities Pilot eligibility to individuals who are exempt or excluded from managed care.

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NC DHHS Response: NC DHHS acknowledges that there may be significant operational complexities involved with adding non-managed care populations to the Pilots; NC DHHS plans to engage with stakeholders on the best approach to expanding Pilot eligibility to these populations should it choose to do so. Furthermore, NC DHHS clarifies that it is not proposing expanding coverage to these populations at this time; rather, the Department is requesting through this waiver amendment authority to do so at a later date.

Comment: NC DHHS received several comments from parents and caretakers of individuals with I/DD seeking clarity about the approach for ensuring individuals with I/DD have access to all needed services.

NC DHHS Response: NC DHHS appreciates these comments and notes that it continuously strives to ensure access to appropriate services for individuals with I/DD. NC DHHS notes that the proposed waiver amendment does not make any changes to these individuals' eligibility for and access to Medicaid-covered services.

Tribal Consultation

North Carolina provided a summary and a copy of the full waiver amendment through an email to Tara Larson, consultant to the Eastern Band of Cherokee Indians, on October 26, 2021. The summary highlighted key features of the amendment impacting the Tribe, as well as other key features. It also included instructions for providing comment.

North Carolina received feedback from the Tribe on October 26, 2021; this feedback was largely supportive of the proposed waiver amendment. Key comments included the following:

- The Tribe requested an update on implementation of the IMD waiver included in North Carolina's approved demonstration. North Carolina plans to provide more information to the Tribe on this matter.
- The Tribe was supportive of North Carolina's efforts to re-open discussions with CMS around the Tribal Uncompensated Care Pool included in the State's original waiver application.
- The Tribe reiterated its stance that no Tribal member should be required to enroll in a managed care program that is not the Tribal Option and noted that North Carolina's proposal is consistent with this principle.
- The Tribe agreed with North Carolina's proposal to exclude dual eligibles from managed care.
- The Tribe was enthusiastic about the proposal to allow participation by the Tribe in the Healthy Opportunities Pilots.

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- The Tribe noted that it is supportive of the increased payment rates for home- and community-based services, as authorized under the American Rescue Plan Act (unrelated to requests under this waiver amendment).

Summary of Changes Following Public Notice

North Carolina made several minor changes to the draft waiver amendment distributed for purposes of public notice and comment and Tribal consultation. Changes included the following:

- Updating the amendment, including the budget neutrality analysis described in Section V, to reflect the recent decision to delay implementation of BH I/DD Tailored Plans from July 1, 2022 to December 1, 2022; and
- At the request of CMS, adding additional detail on the State’s proposed approach to evaluating the proposed new hypothesis on the coverage approach under BH I/DD Tailored Plans for certain residential treatment settings.

VIII. Conclusion

The proposed changes in this requested amendment reflect operational and implementation changes to North Carolina’s demonstration that have emerged since the waiver’s initial approval in 2018. The State is requesting that the demonstration period be modified to reflect implementation delays caused by the COVID-19 pandemic and State budget issues – this would allow North Carolina a full five years to implement key demonstration elements and ensure a robust evaluation. The State requests certain changes to coverage through the BH I/DD Tailored Plans, which would ensure that individuals with significant behavioral health needs are served in the delivery system that best meets their needs. It requests several changes to reflect the evolving implementation of the Healthy Opportunities Pilots including expanding eligibility for the Pilots, extending the availability of capacity building funds, and moving certain operational details out of the STCs and into a separate waiver vehicle (while also updating certain operational details from the currently approved STCs). We believe that these changes will allow a broader range of enrollees to reap the full benefits of the Healthy Opportunities Pilot, ensure that Pilot entities are provided adequate support during roll-out, and provide the State with flexibility to quickly implement operational changes. The proposed amendment also requests the ability to exclude the COVID-19 testing group from mandatory managed care. North Carolina appreciates this opportunity to amend its 1115 demonstration and to continue to work with CMS to improve health care outcomes for the people of North Carolina.

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IX. State Contact

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