

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVDUTTA SANGVAI
SECRETARY

February 16, 2026

SENT VIA ELECTRONIC MAIL

Mr. Brian Matteson, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Matteson:

This letter serves as the first notification required by Section 2.4 of S.L. 2023-7.

On March 27, 2023, Section 2.4 of S.L. 2023-7 was enacted to require the Division of Health Benefits (DHB) to enter into negotiations with Centers for Medicare and Medicaid (CMS) to develop a plan for work requirements as a condition of participation in the Medicaid program. DHB was required to obtain approval of that plan if there is any indication that the plan may be authorized by CMS. Additionally, this body was to be notified with 30 days of entering into negotiations and later provide details of the approved plan within 30 days of securing approval. On July 7, 2025, Section 2.1.(a) of S.L. 2025-64 amended this directive to require the Department of Health and Human Services to implement any work requirements as a condition of participation in the Medicaid program approved by CMS.

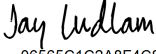
On July 4, 2025, P.L. 119-21 (also known as H.R. 1 or the One Big Beautiful Bill Act) was enacted to legislate federal Medicaid work requirements, also referred to as community engagement requirements, across all states, with an effective date of January 1, 2027. P.L. 119-21 requires CMS to issue additional guidance on implementation by June 2026. In compliance with State law, DHB sent correspondence to CMS on July 12, 2025, to begin engagement on implementation of P.L. 119-21. On September 10, 2025, CMS met with DHB in response to the July 12, 2025 request. DHB reiterated to CMS its commitment to ensure that those individuals who are eligible for Medicaid are able to access the program, and that those individuals who are not eligible for Medicaid are not on the program. CMS indicated in that meeting that it would provide guidance using forums and correspondence that will be made available to all states. CMS informed DHB that it will not be engaging directly with individual states to provide guidance or answer questions. During the September 10, 2025 meeting, DHB shared questions and considerations related to the implementation of P.L. 119-21 that will aid DHB in meeting the deadlines and other requirements of P.L. 119-21. DHB remains in regular communication with CMS on NC's progress.

DHB and DHHS have convened workgroups to begin planning for the implementation of P.L. 119-21. DHB must begin now to position itself to complete this large-scale implementation, which will require extensive work in technology systems, policy development, communications plans, notices and report requirements within mandatory federal deadlines. DHB is working with the General Assembly to provide direction and fund this work. DHB will also continue to engage in cross-state forums with CMS as we attempt to align our efforts with CMS's unclear expectations.

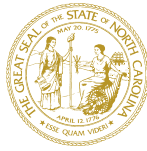
With the passage of P.L. 119-21, DHHS does not expect that there will be a formal approval from CMS of a plan for work requirements as a condition of participation in the Medicaid program. DHHS expects to provide continuous updates on this work during future Joint Legislative Oversight Committee hearings and meetings with the General Assembly.

Sincerely,

DocuSigned by:


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Devdutta Sangvai
Secretary

on behalf of Devdutta Sangvai



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEV DUTTA SANGVAI
SECRETARY

February 16, 2026

SENT VIA ELECTRONIC MAIL

The Honorable Benton Sawrey, Chair
 Joint Legislative Oversight
 Committee on Medicaid
 North Carolina General Assembly
 Room 521, Legislative Office Building
 Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
 Joint Legislative Oversight
 Committee on Medicaid
 North Carolina General Assembly
 Room 303, Legislative Office Building
 Raleigh, NC 27603

The Honorable Larry Potts, Chair
 Joint Legislative Oversight
 Committee on Medicaid
 North Carolina General Assembly
 Room 307B1, Legislative Office Building
 Raleigh, NC 27603

The Honorable Donna White, Chair
 Joint Legislative Oversight
 Committee on Medicaid
 North Carolina General Assembly
 Room 307B, Legislative Office Building
 Raleigh, NC 27603

Dear Chairmen:

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DHB and DHHS have convened workgroups to begin planning for the implementation of P.L. 119-21. DHB must begin now to position itself to complete this large-scale implementation, which will require extensive work in technology

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TEL 919-855-4800 • FAX 919-715-4645

LOCATION: 1915 HEALTH SERVICES WAY • RALEIGH, NC 27607


MAILING ADDRESS: 2001 MAIL SERVICE CENTER • RALEIGH, NC 27699-2000

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systems, policy development, communications plans, notices and report requirements within mandatory federal deadlines. DHB is working with the General Assembly to provide direction and fund this work. DHB will also continue to engage in cross-state forums with CMS as we attempt to align our efforts with CMS's unclear expectations.

With the passage of P.L. 119-21, DHHS does not expect that there will be a formal approval from CMS of a plan for work requirements as a condition of participation in the Medicaid program. DHHS expects to provide continuous updates on this work during future Joint Legislative Oversight Committee hearings and meetings with the General Assembly.

Sincerely,

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 on behalf of Devdutta Sangvai
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Devdutta Sangvai
Secretary