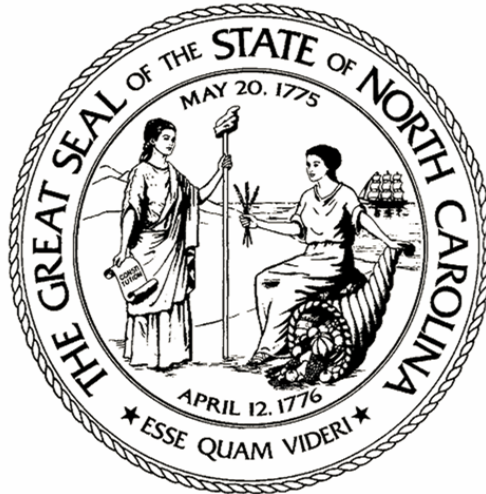


# **Medicaid Suspension Policies for Justice Involved Individuals**

**Session Law 2025-64, Section 1.2**



**Report to**

**Joint Legislative Oversight Committee on Medicaid  
and**

**Fiscal Research Division**

**by**

**North Carolina Department of Health and Human Services**

**April 6, 2026**

## Background

Under Section 1905(a)(30(A) of the Social Security Act, Medicaid does not cover medical expenses for beneficiaries who are involuntarily detained in a correctional institution, except when they receive inpatient care in a hospital. State Medicaid Agencies have historically had the option to terminate Medicaid benefits for certain beneficiaries when they become incarcerated in a correctional institution. States could also suspend (or pause) Medicaid benefits, allowing them to be immediately reinstated upon release.

Prior to February 1, 2025, NC Medicaid policy ([MA-2510](#) and [MA-3360](#)) required Medicaid benefits to be suspended for individuals who entered state prisons or juvenile justice facilities. Individuals incarcerated in county jails, however, had benefits terminated (unless they were a youth up to age 21, or between the ages of 18 and 26 on Medicaid for Former Foster Care). Section 19.6.(c) of Session Law 2010-31 required the NC Department of Adult Correction (DAC)<sup>1</sup> to seek reimbursement from NC Medicaid for inpatient hospitalizations for incarcerated individuals who would otherwise be eligible for Medicaid. NC Medicaid reimbursement began on September 1, 2008. Session Law 2010-31 was limited to individuals in DAC custody; therefore, it did not apply to county jails.

Because Medicaid benefits were terminated for individuals incarcerated in county jails, not just suspended, these individuals were required to reapply for Medicaid after release, leading to gaps in coverage. Pursuant to the federal Consolidated Appropriations Act (CAA), 2024, P.L 118-42, states are required by federal law to suspend, rather than terminate, Medicaid eligibility for individuals who are incarcerated. Section 1.2 of S.L. 2025-64 (see Appendix A) specifies that NC Medicaid's policy of suspension must be applied to individuals in county jails. This report summarizes NC Medicaid's implementation of these requirements.

## Report on Medicaid Changes

As of February 1, 2025, to comply with PL 118-42, NC Medicaid Living Arrangement policy regarding Medicaid Suspension/Termination for beneficiaries was amended to require that a beneficiary's Medicaid coverage is suspended, not terminated, while they are incarcerated in a county jail. Due to the generally short nature of jail stays, the suspension of benefits occurs on the 31st day of incarceration in the jail. This allows individuals with stays of 30 days or less to maintain enrollment with their Medicaid delivery system (e.g., a Standard Plan, Tailored Plan, or other Managed Care enrollment). Once a beneficiary has been incarcerated for 31 days or more, Medicaid is suspended back to the booking date, and the individual is disenrolled from their Managed Care plan. Upon release, to ensure access to the full range of behavioral health services (if needed), they are enrolled in NC Medicaid Direct (or the Eastern Band of Cherokee Indians (EBCI) Tribal Option, if applicable) for a period of 365 days pursuant to GS 108D-40(a)(9) and (9a), as amended by Section 2.2.(a) of S.L. 2025-27. On the first of the month following the 365 days, the beneficiary will be automatically enrolled in the delivery system that best suits their needs based on existing enrollment criteria (e.g., Standard Plan, Tailored Plan, Children and Families Specialty Plan) set forth in Chapter 108D-40 of the General Statute. These individuals are still subject to standard Medicaid eligibility processes and are reviewed for Medicaid eligibility throughout the incarceration period and after release on an annual basis.

Historically, taking action on an individual's county jail incarceration release date in their Medicaid case has been a manual process. Local County Departments of Social Services (DSS) learned of an individual's incarceration in a county jail only when it was reported to them by a family member, by the individual, or by

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<sup>1</sup> Session Law 2010-31 refers to Department of Adult Correction (DAC) as Department of Correction

their local County Sherrif's department. This prompted the Medicaid caseworker to document the incarceration and terminate the individual's Medicaid case, to comply with NC Medicaid Living Arrangement policy.

NC Medicaid recently implemented an operational improvement to the North Carolina Families Accessing Services through Technology (NC FAST) system that allows for the automated suspension of benefits when an individual is incarcerated in a jail for 31 days or more, and the unsuspension of benefits upon the date of release. This improvement was made possible by a memorandum of agreement (MOA) between the NC Department of Health and Human Services, Division of Health Benefits and the NC Department of Information Technology, Government Data Analytics Center (GDAC). As of August 9, 2025, NC FAST receives a nightly data file from GDAC with consolidated information from North Carolina's county jails. This file includes data on individuals incarcerated in county jails including booking dates, transfer and release information that is used to suspend and unsuspend benefits appropriately when a match is found to a Medicaid beneficiary in NC FAST.

## **PART I. JUSTICE-RELATED MEDICAID CHANGES**

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**SECTION 1.2.** The Department of Health and Human Services (DHHS), Division of Health Benefits, shall continue to implement its policy changes to suspend, rather than terminate, Medicaid benefits upon a Medicaid beneficiary's incarceration, as required by the federal Consolidated Appropriations Act, 2024, P.L. 118-42. No later than October 1, 2025, DHHS shall submit to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report on (i) DHHS's progress implementing the automated process in the NCFAST eligibility information system that allows data sharing between county jails and DHHS and (ii) any ongoing challenges to meeting the federal requirement to suspend, rather than terminate, Medicaid benefits upon a Medicaid beneficiary's incarceration.