NC TRANSITIONS TO COMMUNITY LIVING

Post-Settlement Program Administration Overview



October 2026

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. BACKGROUND AND PURPOSE

The North Carolina Department of Health and Human Services (NCDHHS or Department) remains committed in continuing Transitions to Community Living (TCL) to support Adults with Serious Mental Illness (SMI) or Severe and Persistent Mental Illness (SPMI) with its key partners.

Since 2012, NCDHHS has overseen the implementation of the U.S. Department of Justice (USDOJ) settlement terms through sustained investment to strengthen infrastructure to support people living with SMI and SPMI through the TCL program. In the years since, North Carolina made a commitment to build a system of community-based supports capable of sustaining individuals to live and thrive in the communities of their choosing. That commitment produced measurable infrastructure: housing subsidies, diversion from Adult Care Homes (ACH) to community-based settings, peer specialists with lived experience, discharge and transition processes to enable individuals to make an informed choice to transition into community-based settings, and a network of community-based providers and LME/MCOs established to deliver wraparound care at scale.

The USDOJ acknowledged the significant strides North Carolina has made in improving community inclusion for people with SMI and SPMI by filing a joint motion with North Carolina asking the federal district court to terminate its oversight of the TCL settlement agreement as a result of the State having met major requirements with the agreement's terms. The district court granted the joint motion on September 14, 2026, ending the settlement agreement. North Carolina could not have achieved compliance with the settlement without the General Assembly's continuous investment in housing supports and community-based services for people with SMI and SPMI.

This document serves to reaffirm the State's commitment to the principles of *Olmstead,* emphasizes NCDHHS' continuation of the established infrastructure and program administration that extends beyond the requirements of the 2012 USDOJ settlement agreement, and continued assessment and improvement of services and supports. It reflects North Carolina's enduring values around inclusion, dignity, and self-determination.

2. WHY TCL MATTERS

For more than a decade, the Department has worked alongside Local Management Entities/Managed Care Organizations (LME/MCOs) [1] , providers, community partners, and an Independent Reviewer toward our shared goal to provide the right services at the right time so people with disabilities can live, work and receive support in communities of their choosing. With targeted assistance provided by the TCL program, adults with SMI and SPMI experience greater stability, improved health outcomes and the chance to participate fully in community life. The positive impact of TCL is best illustrated through the experiences of individuals.

[1]The TCL population is served by Local Management Entities/Managed Care Organizations (LME/MCOs) under contracts with NCDHHS. The services are provided through the Prepaid Inpatient Health Plan (PIHP) contract, which allows LME/MCOs to manage Medicaid funds for mental health, developmental disabilities, and substance use services, and the Tailored Plan (TP) contract, which integrates both physical and behavioral health services to address the complex needs of individuals with mental illnesses. Throughout this report, the term "LME/MCO" will be used to refer to both PIHPs and TPs.

Following their transition to community-based housing, individuals have shared the positive impacts of TCL on their lives, such as obtaining employment, completing educational goals, enjoying their new home, no longer going in and out of institutions and homeless shelters, building relationships with neighbors, and becoming active contributors within their communities.[2]

Over 4,150 people in North Carolina are living independently with TCL supports in permanent supportive housing. Beyond the profound human impact, individuals with SMI without adequate community supports have much higher rates of high-cost system contacts. It is well-established in the literature that permanent supportive housing is associated with reductions in emergency department (ED), inpatient, and homeless shelter use, as well as police involvement, jail, and detox services.[3] Keeping individuals housed increases the individual's safety, public safety and trust, and protects the limited capacity of hospitals, the crisis support system, and the justice system for those with unavoidable need. One year of TCL transitional and stabilizing housing supports costs the same amount as 6.4 days in a State Psychiatric Hospital (SPH), 14.8 days of inpatient psychiatric care, or 12.9 ED visits demonstrating the significant cost-effectiveness of the program. [4] Community-based supports generally deliver better outcomes at a far lower cost than institutional care, which is both more expensive and isolating.

There is also a broader benefit across North Carolina. Our mental health services system continues to encounter people whose trajectories, through a revolving door cycle of repeated events such as crisis contacts, ED visits, psychiatric inpatient stays, and incarceration, reflect an unmet need for exactly the kind of community-based, person-centered support TCL has demonstrated it can deliver. TCL is one part of the overall infrastructure that North Carolina has in place to strengthen mental health services, which also includes major initiatives like Executive Order 33 – aimed at improving coordination between the state's behavioral health and criminal justice systems – and the NC Crisis Advisory System of Care Advisory Committee. Additionally, TCL is a critical part of North Carolina's housing strategy as articulated in Executive Order 36, which directs NCDHHS to work with the NC Housing Finance Agency (NCHFA) to explore changes to processes and policies and the adoption of technological tools to increase the availability and array of living options available to people with Mental Health, Substance Use, Intellectual and Developmental Disabilities, and Traumatic Brain Injury needs. The TCL program administration overview recognizes that this model works and outlines how North Carolina will continue to progress toward community inclusion.

3. TRANSITIONS TO COMMUNITY LIVING OVERVIEW

[2]Source(s): TCL Quality of Life Survey quotes included in SFY 2020, 2021, and 2022 DHHS Annual TCL Reports
[3]Source(s): Jacob V, et al. *Permanent Supportive Housing With Housing First: Findings From a Community Guide Systematic Economic Review*. American Journal of Preventive Medicine. 2022; Cunningham M, Hanson D, Gillespie S, et al. *Breaking the Homelessness-Jail Cycle with Housing First: Results from the Denver Supportive Housing Social Impact Bond Initiative*. Urban Institute. 2021; Tsai J, Casey R, Hooshyar D. *The Evidence Behind the Housing First Model*. U.S. Department of Veterans Affairs Research Brief. 2023
[4]Source(s): Department analysis based on data on per diem costs from *Schedules of Full Cost and Medicaid Rates (including full pharmacy costs and pharmacy costs excluding Medicare Part D) for SFY 2026-2027*, AHRQ national data (CY25 estimate), and *CMS Inpatient Psychiatric Facilities Prospective Payment System: FY 2024 Updates.*

Lead Agency	NCDHHS
Key Partners	• LME/MCOs • North Carolina Housing Finance Agency (NCHFA) • People with lived experience and their families • Private/public guardians • Olmstead Plan Stakeholder Advisory Committee • North Carolina General Assembly • Service Providers • Community organizations and Inclusion Partners • Affordable housing developers, landlords, and owners • Employers • State partners (Division of Social Services (DSS), Division of Aging, Division of Employment and Independence for People with Disabilities (EIPD), Division of State Operated Healthcare Facilities (DSOHF), Division of Mental Health/Development Disabilities/substance Use Services (DMH/DD/SUS), NC Medicaid, Division of Health Service Regulation (DHSR)
Populations Served	• Adults with Serious Mental Illness (SMI) or Severe and Persistent Mental Illness (SPMI) residing in or at risk of entering Adult Care Homes (ACH). • Individuals who are or will be discharged from a State Psychiatric Hospital (SPH) who are homeless or have unstable housing. • Individuals with Serious Mental Illness (SMI) who are diverted from entry into Adult Care Homes (ACH). • Must be Medicaid eligible or Special Assistance eligible or have a Gross Income of $2,000 per month.
Services Provided	TCL provides eligible individuals with the opportunity to choose where they live, work and play in North Carolina. It promotes recovery through: • **Community-based Supported Housing** - permanent, integrated, affordable housing for people who are TCL-eligible and choose to live and receive services in the community. Tenancy supports are available to every person with a housing slot. These supports are recovery based and help an individual live successfully in the community (i.e. understanding rights/responsibilities, communicating with landlord/property manager, early intervention for behaviors that jeopardize housing, etc.). • **Community-based Mental Health Services** - access to the array and intensity of recovery-based services and supports necessary to enable a person who is TCL-eligible to successfully transition and live in the community. • **Supported Employment** - supported employment services that help people identify and maintain integrated, paid, competitive employment. These services include Individual Placement and Support (IPS) and Assertive Community Treatment (ACT).

	• **Discharge and Transition Process** - informed decision making and assistance in transitioning from a SPH or from an ACH into permanent supported housing. • **Pre-admission Screening and Diversion** - diversion from entry to an ACH and movement into permanent, supported housing.
Geographic Scope	Statewide, administered in partnership with LME/MCOs

Impacts to Date	Since the beginning of TCL, the Department and its partners have continued to build a sustainable system to support adults with SPMI or SMI who are in and/or at risk of institutionalization:
	• **Established a system that gives individuals the choice to live in the community:**
	  • More than 4,100 individuals living in community-integrated housing as of June 2026.
	  • 7,867 individuals housed throughout life of program as of June 2026.
	  • 83% of individuals who transitioned to TCL housing were still in TCL housing one year later, demonstrating housing stability.
	  • Face-to-face In-Reach engagement[5] within 90 days has remained above **90%** for individuals residing in ACHs since the last quarter of SFY26.
	• **Strengthening the Employment First culture:** Nearly 26% of individuals between ages 18-64 have received supported employment (IPS or ACT services) as of June 2026.
	  • The **7% growth** in IPS and ACT services from December 2025 to June 2026 signals meaningful momentum as the Department continues to improve Employment First principles in practice.
	• **Essentially "shut the door" on ACH admissions for individuals with SPMI or SMI:**
	  • More than 6,700 diversions from ACH entry through screening and outreach as of June 2026.
	  • Only 27 new ACH admissions in SFY26, a 93.9% diversion rate
	  • More than 2,470 individuals diverted and housed in permanent supportive housing as of June 2026.
	• **Built a program foundation with continuous monitoring and improvement:** Established quality assurance and performance improvement (QA/PI) system and processes.

4. GUIDING PRINCIPLES

[5] In-Reach is an engagement, education and support effort designed to accurately and fully inform adults who have a serious mental illness (SMI) or a severe and persistent mental illness (SPMI) about community-based mental health services and supportive housing options so they can make an informed choice about transitioning to the community into permanent supportive housing.

The following principles will continue to guide TCL activities and investments beyond the settlement period:

- **Community First**: Community living with integrated services and supports is the primary goal; institutional placement is a last resort.
- **Person-Centered, Individual Choice:** Individuals direct and inform their own service plans and housing decisions.
- **Inclusion and Access:** Services are designed to be accessible for populations facing the greatest barriers, including rural communities and underserved populations.
- **Accountability**: Progress is measured, publicly available, and used to drive continuous quality improvement.
- **Partnership**: State partners (DSS, Division of Aging, EIPD, DSOHF, DMH/DD/SUS, NC Medicaid, DHSR), LME/MCOs, providers, people with lived experience, families, private/public guardians, advocates, community groups, affordable housing property owners and developers, employers, and NCHFA are among the many critical partners that co-steward this work.

5. CORE PRIORITIES & STRATEGIES FOR ON-GOING PROGRAM OPERATIONS

NCDHHS is sustaining and improving TCL by focusing on six priority areas that reflect our commitment to improve key services areas, and provide ongoing supports and services

#	Core Priorities	Details
1	**Housing**	Continue access to **stable, community-based** housing options with **on-going diversion** and transition from institutionalized settings.
2	**Person-Centered Community- based Services**	Improve and sustain access to **quality, evidence-based, and recovery-oriented services for individuals transitioning to the community,** and person-centered plans that are based on the goals of the individual.
3	**Peer Support Services & Engagement**	Continue to engage and deliver **services in partnership with lived-experience peer networks** to promote recovery and inclusion.
4	**Employment**	Collaborate **closely with providers and LME/MCOs** to connect individuals to supported employment and integrated employment. Promote that **individuals with disabilities can work** and maintain their benefits. Continue

		to emphasize and address any gaps in enabling an employment first and zero exclusion culture.
5	**Crisis Services**	Continue to **strengthen the crisis services** system to drive timely, community-based crisis response alternatives as well as timely aftercare services that help people stop the cycle of crisis and rehospitalization.
6	**Transition Supports**	Continue to enable **informed choice and timely support** for individuals transitioning from institutionalized settings, including addressing any barriers to moving to community-based housing, compiling necessary documentation, and finding appropriate housing.

The strategies outlined below reflect the Department's core priorities for advancing community living, strengthening support systems, including addressing service delivery gaps. These priorities are intended to guide planning, decision-making, and resource alignment and may be refined over time in response to emerging needs, stakeholder input, policy developments, and best practices.

Workforce and Capacity

- Sustain **TCL workforce within the Department and in the LME/MCOs** including peer support specialists, In-Reach and transition staff, housing and employment specialists, quality assurance/performance improvement staff and Registered Nurse (RN)/Occupational Therapist (OT) teams.
- Invest in **provider capacity for recovery-based services** in underserved and rural communities through services coverage and technical assistance, including **partnerships with key subject matter experts** and vendors as appropriate to provide targeted monitoring and coaching with providers in the field to improve person-centered services and culture.

Housing Infrastructure

- Sustain **partnerships with NCHFA, local housing authorities, and developers** to preserve and expand affordable, accessible units.
- Maintain a **dedicated housing subsidy pipeline** (including partnership with Division of Aging's Targeting Program and Key Rental Assistance on TCL priority and TCL Vouchers) for TCL-eligible individuals with available funding.
- Maintain **fiscal monitoring and implement sustainable measures** with NCHFA and LME/MCOs for housing services utilization, increase in housing costs, and funding risks to maximize available funding and help keep individuals housed.
- Annually identify funding needed to maintain dedicated TCL housing slots to keep individuals housed with appropriate services and supports, by incorporating rising cost of living.
- Coordinate at the state-level to assess and provide guidance **on appropriate community-based housing options that are safe and sustainable for individuals**.

- Continue to **divert individuals from ACHs and safely discharge from SPHs** to community-based settings when appropriate.
- Continue to monitor LME/MCOs' timely engagement with **individuals in ACHs to enable their informed choice** to transition to community-based housing.
- Continue **RN/OT assessments for individuals with complex medical needs to identify appropriate accommodations** to maximize their independence while maintaining an individual's health and safety.

Services System Integration and Coordination

- **Partner with LME/MCOs** for regional implementation to maintain and strengthen robust referral and enrollment pathways for TCL services.
- **Actively engage providers** to process feedback, improve service delivery, and ensure a sustainable system.
- Continue to **engage and train DSS guardians** on the importance of their role in supporting individuals and their access to services, as well as driving the message of employment as a key driver of recovery.
- Support **diversion and appropriate wrap-around supports** based on where the individual may be located or residing (e.g., SPHs, appropriate re-entry coordination), including use of Referral Screening Verification Process (RSVP) to maintain timely diversions from institutionalized settings.
- Provide TCL lens as Department continues to **strengthen and improve overall services systems through on-going transformative priorities** such as the DMH/DD/SUS Strategic Plan, Housing Strategic Plan, Workforce Innovation and Opportunity Act (WIOA) Unified State Plan, and Olmstead Plan.
- Continue to **elevate peers and individuals with lived experience** as a foundational approach for services system and delivery framework.
- Continue **focused technical assistance for ACT and CST providers** to improve person-centered practices and promote zero exclusion practices - meaning no one is denied employment services because of their diagnosis, symptoms, substance use, criminal record, or housing status.
- Upgrade **TCL databases and tools** to maintain and improve visibility into the individuals served and services they receive.

Quality Assurance and Performance Improvement (QA/PI)

- Maintain a **flexible, data-driven, proactive, and integrated** QA/PI system as a core element of TCL operations, using generalizable frameworks and repeatable processes that can be applied across TCL components.
- Sustain a robust and structured **system for identifying and resolving local and statewide barriers** to increase community integration for TCL participants.
- Promote a **culture of learning** that empowers subject matter experts to lead decision-making and improvement activities grounded in best practices and national standards.

- Strengthen **relationships and collaboration** by integrating participant experience, staff knowledge, and stakeholder input into efforts to improve TCL operations, service quality, and participant outcomes.

Continued Outcomes Monitoring and Accountability

- Continue to monitor key indicators and assess progress* toward TCL goals and priorities, including, but not limited to:
  - Percentage separated from housing.
  - Number of Individuals in TCL with peer supports who are in housing at six months and 12 months.
  - Number of TCL individuals transitioned from ACH placement.
  - Percentage of people diverted from ACH placement.
  - Number of TCL individuals who received IPS.
  - Number of individuals who received at least one core service (e.g., ACT, CST).
  - Quality of Life survey-based measures from TCL individuals.
- Utilize the **Olmstead Plan Stakeholder Advisory (OPSA)** that includes individuals with lived experience, family members, providers, and advocates to provide updates on progress and TCL measures.
- Continue **departmental coordination to:**
  - Maintain departmental oversight through a cross-division Steering Committee.
  - **Elevate concerns, share updates, and provide opportunities for feedback** as applicable in key forums such as the State to Local Consumer and Family Advisory Committee (CFAC), State Barriers and SPH Meetings, TCL Peers Community of Practice (CoP), Olmstead Plan, and DMH/DD/SUS Strategic Plan.
- Continue quarterly LME/MCO onsite monitoring and desk reviews using the monitoring tool and reviewers that met inter-rater-reliability with the annual reviews used to monitor TCL settlement agreement compliance.
- Provide updates **to the NC General Assembly** on program outcomes, service utilization, and budget needs.

*Note: Measures are reflected in the NCDHHS Olmstead Plan, TCL Annual Report, and Divisions' strategic plans, and as they evolve, will stay aligned with core TCL and Olmstead principles.

6. NORTH CAROLINA'S COMMITMENT TO TCL

TCL reflects North Carolina's demonstrated commitment to supporting comprehensive services and supports that enable every person who chooses to pursue the opportunity to live, work, and thrive in their community.

The Department will continue to assess the service and support needs of individuals participating in TCL and pursue the funding necessary to help individuals remain successfully housed and supported in the community. Sustaining and strengthening the TCL infrastructure

built under the settlement agreement is essential to preserving the important gains made and to best serving individuals with SMI and SPMI in their communities.

People who have transitioned to community living depend on continued housing supports, continued services and supports, and continued employment pathways – not as one-time interventions – but as ongoing conditions of stability. A lapse in any one of those supports can trigger a cascade: lost housing, crisis, hospitalization, and re-institutionalization. The costs of that cascade, human and fiscal, would far exceed the cost of sustaining the TCL system that prevents it.

In addition to continuing TCL, the Department will continue fiscal monitoring, identifying sustainable funding strategies, and maximizing federal funding opportunities to support long-term housing stability and access to services.

The Department appreciates the critical partnerships of LME/MCOs, providers, people with lived experience and their families, community stakeholders, and legislators to deliver integrated services to individuals as part of the broader state public health –system – with transparency, accountability, and the people we serve at the center of every decision.