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DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations
Disabled and Elderly Health Programs Group (DEHPG)

William W. Lawrence Jr., M.D.
Acting Director
Division of Medical Assistance
Department of Health and Human Services
State of North Carolina
2501 Mail Service Center
Raleigh, NC 27699-2501

Dear Mr. Lawrence:

I am pleased to inform you of the approval of your Money Follows the Person (MFP) Rebalancing Demonstration Operational Protocol. Congratulations on your submission and approval of this critical document. The effective date for this approval is June 30, 2008. As you know, the Operational Protocol will continue to guide the implementation and operation of your demonstration grant. In addition, please be advised that your approved Operational Protocol is considered to be the pre-eminent document for your MFP Rebalancing Demonstration and, as such, will fully replace and predominate your State's initial application for a MFP Rebalancing Demonstration.

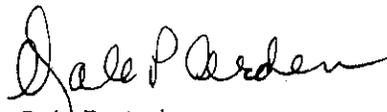
To foster administrative simplicity and efficiency, CMS has developed a process for both the annual evaluation of MFP benchmarks and for the requests for supplemental funding for all MFP demonstration States based on the attainment of the specified benchmarks. This process will place the operations for all grantees on a calendar year basis. With this award, you are receiving \$886,202 in Supplemental funding for both administration and service provision through 2008. Also included with this letter is packet of terms and conditions that will fully replace the initial set of terms and conditions that accompanied your first MFP grant award. Toward the end of each year of participation, you will be required to submit a supplemental funding request for the next calendar year. You will also be reporting semi-annually on the attainment of your annual benchmarks through the web-based progress reporting system.

We, at the Centers for Medicare & Medicaid Services (CMS), thank you for your dedicated efforts in preparing the Operational Protocol and look forward to our continued work together throughout the grant demonstration period. Our hope is that these demonstration grants will greatly enhance your efforts to rebalance your long-term support system so that individuals have

a choice of where they live and receive services. In addition to enhancing your efforts to design and implement rebalancing initiatives, these demonstration grants should also allow you to adopt strategic approaches for improving quality in both home and community-based services and institutional settings. We have high hopes for your success and will remain steadfast in our commitment to provide the technical assistance and support you may need to fully accomplish the goals of these demonstration grants.

Thank you again for your continued commitment to make widespread changes to your long-term support system. The immense opportunities inherent in the Money Follows the Person Rebalancing Demonstration can truly create dynamic systems that are responsive to the needs and choices of individuals with disabilities and long-term illnesses. If you have any questions, please do not hesitate to contact your CMS project officer.

Sincerely,

A handwritten signature in black ink that reads "Gale P. Arden". The signature is written in a cursive style with a large initial "G".

Gale P. Arden
Director

Enclosures

cc: Mary Beth Ribar, CMS Project Officer
Linda M. Hicks, State MFP Project Director
Kimberly Adkins-McCoy, RO contact