



Division of Provider Services & Quality Assurance
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Memorandum

To: Assisted Living Facilities, Level II
From: Division of Provider Services and Quality Assurance
Date: August 15, 2025
Subject: 2025 Updates to the Home and Community-Based Services (HCBS) Settings Rule Requirements and Expectations for Providers

This memo serves as an official update on requirements and expectations associated with the Home and Community-Based Services (HCBS) Settings Rule. It applies to all Assisted Living Facilities Level II (ALF II) that are concurrently certified as Living Choices Waiver providers.

Background

In March 2014, the Centers for Medicare & Medicaid Services (CMS) issued the HCBS Settings Rule—a set of federal regulations aimed at ensuring that individuals receiving Medicaid-funded HCBS services live in settings integrated into the community. These regulations mandate that care be person-centered and provided in environments that support full access to community life.

All HCBS settings, especially provider-owned or -controlled environments, must meet specified standards. Multiple advisory memos were released in 2022 outlining implementation requirements and training for ALF II facilities under the CMS HCBS Settings Rule.

Compliance Status and Next Steps

DPSQA conducted initial compliance reviews in late 2022 and early 2023, followed by Heightened Scrutiny assessments in 2024. Recent CMS guidance has prompted Arkansas to re-evaluate all providers uniformly. Accordingly, **each ALF II provider will undergo a fresh, individualized HCBS Settings Review.**

What to Expect:

- DPSQA will conduct an **unannounced visit** within the next five (5) months.
- Reviews will include:
 - Record audits
 - Facility observation
 - Interviews with residents and staff
 - Administrator debrief to share preliminary findings

Following the visit, surveyor documentation will be evaluated by the HCBS Quality Assurance Team using CMS-recommended practices.

Post-Review Outcomes:

- **Non-Heightened Scrutiny Providers:** Will receive a formal notice of compliance or non-compliance. If non-compliant, a Plan of Correction must be submitted. Dispute resolution and appeals are available.
- **Heightened Scrutiny Providers:** DHS must submit an Evidentiary Packet to CMS for approval. If non-compliance is found, a Plan of Correction and Follow-Up Visit are required before packet submission. Final decisions rest with CMS, which may request further information.

Ongoing Monitoring: Once a final compliance notice is issued, adherence to HCBS requirements will be tracked during your annual licensing surveys and any complaint investigations.

Upcoming Trainings

DHS will host a **live webinar** on HCBS Settings Rules for ALF II Residential Settings. The sessions will be recorded and posted on the DHS website for future reference.

- **Tuesday, August 26, 2025 — 9:00 AM CST**
- **Thursday, August 28, 2025 — 2:00 PM CST**

[Click here to pre-register.](#) Topics include:

- HCBS Settings Rule Overview
- Residential Settings Criteria
- “MythBusters” – FAQs and Common Misconceptions

Additional Guidance

Providers are encouraged to visit the updated [HCBS Settings Rule webpage](#) on the DHS website for:

- CMS communications
- Training opportunities
- Compliance resources

To receive future updates from the Division, please sign up for the Division of Provider Services and Quality Assurance (DPSQA) Provider Subscription Alerts:

<https://humanservices.arkansas.gov/divisions-shared-services/provider-services-quality-assurance/provider-email-sign-up/>.