



Public Notice of Nebraska Medicaid

Section 1115 Substance Use Disorder Demonstration Waiver Amendment

July 18, 2025

In accordance with 42 CFR 431.408, the Nebraska Department of Health and Human Services (DHHS), Division of Medicaid and Long-Term Care (MLTC) is providing public notice of its intent to submit an amendment application to the Centers for Medicare and Medicaid Services (CMS) under Section 1115 of the Social Security Act.

MLTC is seeking approval from CMS for a five year amendment to the Nebraska Substance Use Disorder (SUD) Section 1115 demonstration to: (1) request expenditure authority for short-term medically necessary residential and inpatient stays primarily for mental health treatment within settings that meet the regulatory classification of an Institution for Mental Disease (IMD) for people with Serious Mental Illness (SMI)/ Serious Emotional Disturbance (SED); (2) and request expenditure authority for coverage of medical respite care services provided to adult individuals who are homeless or at-risk of homelessness and are recovering from acute or acute-on-chronic physical health conditions post-discharge from an eligible setting.

Outside of the program changes outlined below and in the demonstration waiver amendment, there are no other program features expected to be impacted by the proposed demonstration amendment.

MLTC will hold public hearings to receive comments on the Section 1115 demonstration amendment application.

The anticipated effective dates for this amendment are:

- January 1, 2026 coverage of SMI/SED stays in an IMD, and
- April 1, 2026 to implement medical respite care services.

DHHS MLTC seeks public comment and input on its proposed demonstration amendment application.

SMI/SED PROGRAM

1. SMI/SED PROGRAM DESCRIPTION

Under the proposed demonstration amendment, Nebraska seeks to improve upon its behavioral health continuum of care and is requesting authority to claim federal financial participation (FFP) for reimbursement of services to Medicaid beneficiaries with SMI/SED receiving services during short-term inpatient psychiatric treatment or residential mental health stays in IMDs.

Despite the wide range of community-based behavioral health services currently offered, some individuals still require treatment that can only be managed in a secure residential setting staffed with the specialty clinicians most qualified to care for the unique needs of this population. This demonstration waiver amendment equips Nebraska Medicaid to provide the proper treatment for an individual's stabilization before being discharged with the appropriate connections to outpatient care in the face of a shortage of Medicaid reimbursable settings that can provide intensive treatment.

2. SMI/SED OBJECTIVE AND GOALS

Nebraska is committed to prompt and quality treatment in IMDs that will prioritize minimizing the number of days required in the institutional setting and ensuring members are discharged with the appropriate medications and resources to successfully manage their illness in their desired community living environment.

The goals of the SMI/SED part of the demonstration are aligned with those outlined by CMS in SMD 18-001 and build upon community-based efforts already utilized throughout the state, including:

1. Reducing utilization and lengths of stay in EDs among Medicaid beneficiaries with SMI/SED while awaiting mental health treatment in specialized settings;
2. Reducing preventable readmissions to acute care hospitals and residential settings;
3. Improving availability of crisis stabilization services, including services made available through call centers and mobile crisis units, intensive outpatient services, as well as services provided during acute short-term stays in residential crisis stabilization programs, psychiatric hospitals, and residential treatment settings throughout the state;
4. Improving access to community-based services to address the chronic mental health care needs of beneficiaries with SMI/SED, including through increased integration of primary and behavioral health care; and
5. Improving care coordination, especially continuity of care in the community following episodes of acute care in hospitals and residential treatment facilities.

3. SMI/SED HYPOTHESIS AND EVALUATION

MLTC will work with an outside evaluator to develop a plan to assess the impact of the proposed coverage of SMI/SED in an IMD. The proposed hypotheses and measures below are to be included as part of the evaluation design:

Hypothesis	Measures
The demonstration will reduce unnecessary acute care utilization for Medicaid beneficiaries with SMI/SED	<ul style="list-style-type: none"> • Rate of ED visits for behavioral health (BH) diagnoses • Average length of stay (LOS) in the ED • 30-Day All-Cause Unplanned Readmission Following Psychiatric Hospitalization in an Inpatient Psychiatric Facility
The demonstration will increase access to the state's continuum of care for mental health services, including crisis stabilization and community-based behavioral health services	<ul style="list-style-type: none"> • Utilization rates: Crisis stabilization services, Intensive Outpatient Services, Partial Hospitalization Services • Utilization rates for mental health-related: Outpatient, rehabilitation and case management, home and community-based services, long term services and supports • Perceived access to appropriate treatment • Percent of Nebraska residents who report having received a mental health service in the last year
The demonstration will improve care coordination, especially continuity of care in the community following episodes of acute care in hospitals and residential treatment facilities	<ul style="list-style-type: none"> • Follow-Up After Emergency Department Visit for Mental Illness (FUM) • Follow-up After Hospitalization for Mental Illness (FUH) • Medication Continuation Following Inpatient Psychiatric Discharge (AMA)

4. SMI/SED ELIGIBILITY

Individuals eligible to participate in the proposed demonstration to receive SMI/SED services in an IMD include otherwise eligible individuals who have an SMI or SED.

The proposed demonstration waiver amendment will not affect any of the eligibility categories or criteria set forth in the approved Nebraska Medicaid State Plan. All youths and adults who are approved for full Medicaid benefits under the State Plan, and are eligible for services allowable under this demonstration, will receive those services.

The following eligibility groups with limited benefits will be excluded:

- Qualified Medicare Beneficiaries (QMB)
- Specified Low Income Medicare Beneficiaries (SLMB)
- Qualified Individual (QI) Program
- Qualified Disabled Working Individual (QDWI)
- Non-citizens qualifying for emergency services only benefits

5. SMI/SED ENROLLMENT PROJECTIONS

The table below provides a summary of the annual estimated number of eligible individuals who may receive services to treat an SMI/SED in an IMD under this demonstration.

State Fiscal Year	Enrollment by Member Months
SFY26	504
SFY27	1025

6. SMI/SED BENEFITS AND COST-SHARING

6.1 Description of Benefits

This part of the 1115 demonstration waiver amendment provides DHHS with the authority to claim FFP for reimbursement of services to Medicaid beneficiaries with SMI/SED receiving services during short-term inpatient psychiatric treatment or residential mental health stays in IMDs of no more than 60 consecutive days.

6.2 Cost Sharing

The demonstration waiver amendment does not propose to change Nebraska's cost-sharing requirements or exemptions. Cost sharing for the populations impacted in this application will be the same as those in the current Medicaid State Plan.

7. SMI/SED DELIVERY SYSTEM

No modifications to the current Medicaid fee for service (FFS) or managed care delivery systems are proposed through the SMI/SED aspect of this demonstration waiver amendment. This expenditure authority will apply to both the FFS and managed care delivery systems and be available to all eligible beneficiaries. Services rendered in an IMD are reimbursed consistent with payment methodologies provided in the Medicaid State Plan.

8. SMI/SED LIST OF PROPOSED WAIVER AND EXPENDITURE AUTHORITIES

The State requests expenditure authority for otherwise covered services (those authorized under the Medicaid State Plan and existing Medicaid waivers) furnished to otherwise eligible youths and adults who are primarily receiving treatment for SMI and SED and who are short-term residents in hospitals or residential facilities that meet the definition of an IMD.

No additional waivers of Title XIX are requested for this part of the amendment.

MEDICAL RESPITE CARE PROGRAM

1. MEDICAL RESPITE CARE DESCRIPTION

The medical respite care service aspect of this demonstration waiver amendment will provide short-term housing with access to supportive medical, behavioral health and social services for individuals who require ongoing monitoring and regular access to medical care.

2. MEDICAL RESPITE CARE OBJECTIVES AND GOALS

Medicaid coverage of a medical respite care service aims to close a gap in support by providing temporary care in medical respite care facilities to address medical, behavioral health and social needs for eligible homeless individuals and provide support between eligible discharges and recovery.

The goals of the medical respite part of the demonstration are to:

1. Ensure individuals can be seen in the most cost effective and medically appropriate settings.
2. Provide a stable, medically-supported setting for extended recuperation.
3. Reduce the risk for readmission into an inpatient facility or emergency department.
4. Improve future health outcomes and reduction in Medicaid costs for the homeless population.

3. MEDICAL RESPITE CARE HYPOTHESIS AND EVALUATION

MLTC will work with an outside evaluator to develop a plan to assess the impact of the proposed coverage of Medical Respite Care services to the demonstration. The proposed hypotheses and measures outlined below are to be included as part of the evaluation design:

Hypothesis	Measures
The target population will receive the medical respite care service during recuperation	<ul style="list-style-type: none">• Service counts
The target population will receive increased preventive and community-based care and social supports compared to a pre-demonstration baseline	<ul style="list-style-type: none">• Screening rates• Referral Rates• Service Counts
The demonstration will improve health outcomes for the target population compared to a pre-demonstration baseline	<ul style="list-style-type: none">• All-cause unplanned 30-day readmission• Rate of inpatient hospitalization• Rate of ED visits• Rate of mortality
The demonstration will reduce the total cost of care for the target population compared to a pre-demonstration baseline	<ul style="list-style-type: none">• Average total cost of care• Average cost of care in an inpatient or acute setting

4. MEDICAL RESPITE CARE ELIGIBILITY

This demonstration will not affect any of the eligibility categories or criteria set forth in the approved Nebraska Medicaid State Plan. Adults age 19 and over eligible for full benefits under the State Plan will be eligible for these services under this demonstration.

The following eligibility groups with limited benefits will be excluded:

- Qualified Medicare Beneficiaries (QMB)
- Specified Low Income Medicare Beneficiaries (SLMB)
- Qualified Individual (QI) Program
- Qualified Disabled Working Individual (QDWI)
- Non-citizens qualifying for emergency services only benefits

5. MEDICAL RESPITE ENROLLMENT PROJECTIONS

The table below provides a summary of the annual estimated number of eligible individuals who may receive medical respite services under this demonstration.

State Fiscal Year	Enrollment by Member Months
SFY26	150
SFY27	600

6. MEDICAL RESPITE CARE BENEFITS AND COST SHARING

6.1 Description of Benefits

The medical respite care service will provide short-term housing with supportive medical, behavioral health and social services, including the following service components:

- Room and board
- Case/care management of medical and social needs
- Daily wellness check
- Access to medical care and clinical services
- Medication support
- Limited non-medical transportation

Nebraska Medicaid will institute a length of stay limitation no longer than six months per rolling 12-month period under the demonstration.

6.2 Cost Sharing

The Medical Respite Care section of this demonstration waiver amendment does not propose to change Nebraska's cost-sharing requirements or exemptions. Cost sharing for the populations impacted in this application will be the same as those in the current state plan.

7. MEDICAL RESPITE CARE DELIVERY SYSTEM

No modifications to the current Medicaid fee for service (FFS) or managed care delivery systems are proposed through the Medical Respite Care aspect of this demonstration waiver amendment. This expenditure authority will apply to both the FFS and managed care delivery systems and be available to all eligible beneficiaries. Nebraska Medicaid will establish a per diem payment methodology that encompasses the service array required to be delivered by medical respite care providers as outlined in the waiver and subsequent protocols.

8. MEDICAL RESPITE CARE LIST OF PROPOSED WAIVER AND EXPENDITURE AUTHORITIES

Nebraska Medicaid is requesting the following waivers and expenditure authorities necessary to implement the policies described for Medical Respite Care services in this demonstration application:

1. Statewideness (SSA Section 1902(a)(1)). To the extent necessary to enable the state to provide medical respite care, as described herein, to qualifying beneficiaries on a geographically-limited basis.
2. Comparability; Amount Duration, and Scope of Services (SSA Section 1902(a)(10)(B)). To the extent necessary to enable the state to provide services to qualifying beneficiaries that are different than the services available to other beneficiaries, as described herein.
3. Freedom of Choice (SSA Section 1902(a)(23)(A)). To the extent necessary to enable the state to require qualifying beneficiaries to receive medical respite care through only certain providers.
4. Expenditure authority for expenditures for the medical respite care service as furnished to individuals that meet the eligibility and qualifying criteria as described in this demonstration.

9. SMI/SED & MEDICAL RESPITE FINANCING AND BUDGET NEUTRALITY

This section presents MLTC's approach for budget neutrality supporting this part of the 1115 demonstration amendment application. MLTC proposes a per capita budget neutrality model for the populations covered under the demonstration.

Federal policy requires that section 1115 demonstration applications be budget neutral to the federal government. This means that an 1115 demonstration cannot cost the federal government more than what would have otherwise been spent absent the 1115 demonstration. The particulars of budget neutrality, including methodologies, are subject to negotiation between MLTC and CMS.

CBIZ Optumas (Optumas) worked in conjunction with DHHS to develop the 1115 budget neutrality template for the SMI/Medical Respite component of the 5-year IMD waiver extension period. A summary of this template is outlined below.

DEMONSTRATION YEARS (DY)				
DY1 (SFY2026)	DY2 (SFY2027)	DY3 (SFY2028)	DY4 (SFY2029)	DY5 (SFY2030)
7/1/2025 - 6/30/2026	7/1/2026 - 6/30/2027	7/1/2027 - 6/30/2028	7/1/2028 - 6/30/2029	7/1/2029 - 6/30/2030

The projected waiver member months and caseload by DY for each proposed waiver service is outlined below.

			DEMONSTRATION YEARS (DY)				
Waiver Service	MEDICAID ELIGIBILITY GROUP	Estimated CY23 Member Months	DY1 (SFY2026) - Partial Year	DY2 (SFY2027)	DY3 (SFY2028)	DY4 (SFY2029)	DY5 (SFY2030)
SMI IMD	ABD	300	159	323	329	336	343
	Dual	182	96	196	200	204	208
	FAM	39	21	42	43	44	45
	EXP	431	228	464	473	482	492
Medical Respite	ABD	136	34	136	136	136	136
	Dual	72	18	72	72	72	72
	FAM	58	15	58	58	58	58
	EXP	334	84	334	334	334	334

The budget neutrality expenditure estimates for SMI/SED and Medical Respite are summarized below.

		DEMONSTRATION YEARS (DY)					
Waiver Service	MEDICAID ELIGIBILITY GROUP	DY1 (SFY2026) - Partial Year	DY2 (SFY2027)	DY3 (SFY2028)	DY4 (SFY2029)	DY5 (SFY2030)	Total DY1-DY5
SMI IMD	ABD	\$378,493	\$807,332	\$863,444	\$925,905	\$992,453	\$3,967,628
	Dual	\$31,380	\$67,269	\$72,074	\$77,192	\$82,640	\$330,555
	FAM	\$15,754	\$33,020	\$35,429	\$37,993	\$40,722	\$162,918
	EXP	\$269,669	\$577,337	\$619,138	\$663,728	\$712,731	\$2,842,603
	Total	\$695,296	\$1,484,958	\$1,590,085	\$1,704,818	\$1,828,547	\$7,303,703
Medical Respite	ABD	\$80,630	\$338,644	\$355,576	\$373,355	\$392,023	\$1,540,228
	Dual	\$5,966	\$25,055	\$26,308	\$27,624	\$29,004	\$113,957
	FAM	\$11,228	\$45,499	\$47,683	\$49,972	\$52,371	\$206,752
	EXP	\$107,601	\$450,088	\$473,492	\$498,114	\$524,016	\$2,053,311
	Total	\$205,424	\$859,287	\$903,059	\$949,065	\$997,414	\$3,914,248

PUBLIC COMMENT PROCESS

1. PUBLIC HEARINGS AND COMMENTS

The public is invited to review and comment on the State's demonstration waiver amendment request.

The full draft can be found at <https://dhhs.ne.gov/Pages/Substance-Use-Disorder-Demonstration.aspx>. Paper copies of the full public notice document, and a draft of the amendment application, can be picked up during regular business hours at the Department of Health and Human Services, 301 Centennial Mall South, Lincoln, Nebraska 68509.

Comments will be accepted 30 days from the publication of this notice. The comment period ends August 18, 2025. Comments may be sent to:

Department of Health and Human Services Nebraska Medicaid
ATTN: SMI/MR Waiver
301 Centennial Mall South
P.O. Box 95026
Lincoln, Nebraska 68509-5026

Comments may also be sent by email to DHHS.Demonstrationwaivers@Nebraska.gov

The public hearings will be held at the following times/locations:

Date (Agenda)	Time	Location	Call-in Information
Monday, August 4, 2025	1 PM-3 PM Central Standard Time	Kearney Public Library 2020 1st Avenue Kearney, NE 68847 Platte Room (Capacity is 286)	Webinar topic: Nebraska Medicaid Section 1115 Substance Use Disorder Demonstration Waiver Amendment Public Hearing Date and time: Monday, August 4, 2025 1:00 PM (UTC-05:00) Central Time (US & Canada) Join link: https://sonvideo.webex.com/sonvideo/j.php?MTID=m146880064c206d3bfb9c645a3831747a Webinar number: 2485 942 5885 Webinar password: ZSvHwQVH342 (97849784 when dialing from a phone or video system) Join by phone +1-408-418-9388 United States Toll Access code: 248 594 25885
Tuesday, August 5, 2025	1 PM-3PM Central Standard Time	Omaha State Office Building 1313 Farnam St, 2nd floor Omaha, Ne 68102 Douglas Conference Center (Capacity is 200)	Webinar topic: Nebraska Medicaid Section 1115 Substance Use Disorder Demonstration Waiver Amendment Public Hearing Date and time: Tuesday, August 5, 2025 1:00 PM (UTC-05:00) Central Time (US & Canada) Join link: https://sonvideo.webex.com/sonvideo/j.php?MTID=mf08ed625fb8be141c1c75e5fb7bf0765 Webinar number: 2494 991 7908 Webinar password: 6RgJJEb5Mg2 (67455325 when dialing from a phone or video system)

			Join by phone +1-408-418-9388 United States Toll Access code: 249 499 17908
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After the State reviews comments submitted during this state public comment period, it will submit a revised application to CMS. Interested parties will also have an opportunity to officially comment during the federal public comment period after CMS finds the application and public notice requirements met.

Thank you in advance for your cooperation.