

June 25, 2025

Drew Gonshorowski
Director of Medicaid & Long Term Care
Nebraska Department of Health and Human Services
301 Centennial Mall South, 3rd Floor PO Box 95026
Lincoln, NE 68509

Dear Director Gonshorowski:

The Centers for Medicare & Medicaid Services (CMS) is approving Nebraska's request to extend its Medicaid section 1115(a) demonstration entitled "Nebraska Substance Use Disorder (SUD) Program Section 1115(a) Demonstration" (Project Number 11-W-10025/7), in accordance with section 1115(a) of the Social Security Act (the Act). With this approval, the demonstration will be effective July 1, 2025, until June 30, 2030, upon which date, unless extended or otherwise amended, all authorities granted to operate this demonstration will expire.

CMS has determined that the Nebraska SUD Program Section 1115(a) Demonstration is likely to assist in promoting the objectives of Medicaid by increasing access to high-quality, clinically appropriate treatment to beneficiaries with a SUD while they are short-term residents in residential and inpatient treatment settings that qualify as an Institution for Mental Disease (IMD). This approval is in alignment with State Medicaid Director Letter #17-003 RE: Strategies to Address the Opioid Epidemic¹ and will continue the authority from the 2019 demonstration approval without any changes.

CMS's approval of this section 1115(a) demonstration is subject to the limitations specified in the attached expenditure authorities, special terms and conditions (STCs), and any supplemental attachments defining the nature, character, and extent of federal involvement in this project. The state may deviate from the Medicaid state plan requirements only to the extent those requirements have been specifically listed as waived or not applicable to expenditures under the demonstration.

Extent and Scope of the Demonstration Extension

Approval of this demonstration extension will allow Nebraska to continue to provide residential treatment services for individuals who are primarily receiving treatment and withdrawal management for SUD who are short-term residents in facilities that meet the definition of an IMD. This will ensure that a broad continuum of care is available to those with SUD in Nebraska.

¹ <https://www.medicare.gov/federal-policy-guidance/downloads/smd17003.pdf>

Budget Neutrality

CMS has long required, as a condition of demonstration approval, that demonstrations be “budget neutral,” meaning the federal costs of the state’s Medicaid program with the demonstration cannot exceed what the federal government’s Medicaid costs likely would have been in that state absent the demonstration.² The demonstration extension is projected to be budget neutral to the federal government. In requiring demonstrations to be budget neutral, CMS is constantly striving to achieve a balance between its interest in preserving the fiscal integrity of the Medicaid program and its interest in facilitating state innovation through section 1115 approvals. In practice, budget neutrality generally means that the total computable (i.e., both state and federal) costs for approved demonstration expenditures are limited to a certain amount for the demonstration approval period. This limit is called the budget neutrality expenditure limit and is based on a projection of the Medicaid expenditures that could have occurred absent the demonstration (the “without waiver” [WOW] costs). The state will be held to the budget neutrality monitoring and reporting requirements as outlined in the STCs.

Rebasing Without Waiver Baseline

Under this extension, for existing Medicaid Expenditure Groups (MEGs) that were implemented, CMS calculated the WOW baseline (which refers to the projected expenditures that could have occurred absent the demonstration and which is the basis for the budget neutrality expenditure limit for each approval period) by using a weighted average of the state’s historical WOW per-member-per-month (PMPM) baseline and its recent actual PMPM costs. The projected demonstration expenditures associated with each MEG in the WOW baseline have been trended forward using the President’s Budget trend rate to determine the maximum expenditure authority for the new approval period. Using the President’s Budget trend rate aligns the demonstration trend rate with federal budgeting principles and assumptions.

Mid-Course Correction

CMS has also updated its approach to mid-course corrections to budget neutrality calculations in this demonstration approval to provide flexibility and stability for the state over the life of a demonstration. This update identifies, in the STCs, a list of circumstances under which a state’s baseline may be adjusted based on actual expenditure data to accommodate circumstances that are either out of the state’s control (for example, if expensive new drugs that the state is required to cover enter the market); and/or the effect is not a condition or consequence of the demonstration (for example, unexpected costs due to a public health emergency); and/or the new expenditure (while not a new demonstration-covered service or population that would require the state to propose an amendment to the demonstration) is likely to further strengthen access to care (for example, a legislated increase in provider rates). CMS also explains in the STCs what data and other information the state should submit to support a potentially approvable request for an adjustment. CMS considers this a more rational, transparent, and standardized approach to permitting budget neutrality modifications during the course of a demonstration.

Monitoring and Evaluation

Consistent with the demonstration STCs, the state submitted its draft Interim Evaluation Report for the prior demonstration approval period with the extension application. The evaluation

² <https://www.medicaid.gov/medicaid/section-1115-demonstrations/budget-neutrality/index.html>

findings from the Interim Evaluation Report demonstrate notable progress toward the demonstration goals. For example, compared to the pre-demonstration period, findings suggest that the number of providers delivering SUD services, as well as the percentage of beneficiaries with SUD who received SUD treatment increased during the demonstration approval period. The evaluation report noted mixed evidence on quality of care. The analysis showed an increase in the rates of adherence to and retention in treatment for SUD, as well as a decrease in the average number of emergency department visits for SUD from the pre-implementation baseline period. However, other quality of care measures trended opposite the desired direction, including a decline in the rate of treatment initiation within 14 days of a new SUD diagnosis and an increase in the 30-day readmission rate for SUD.

With this extension of the demonstration, the state is required to continue conducting systematic monitoring and robust evaluation of the demonstration, per applicable CMS guidance and technical assistance. In collaboration with CMS, the state must undertake demonstration monitoring, including reporting of relevant metrics data and narrative details describing progress with implementation of all components of the demonstration. In addition, the state is also required to conduct an independent mid-point assessment of the demonstration, as described in the STCs, to support identifying risks and vulnerabilities and subsequent mitigation strategies.

The state is required to conduct an evaluation of the demonstration to support a comprehensive assessment of whether the demonstration components are effective in producing the desired outcomes for its beneficiaries and providers, as well as the state's overall Medicaid program. The demonstration evaluation must outline and address well-crafted hypotheses and research questions for all key demonstration policy components, as described in the STCs.

Consideration of Public Comments

The federal comment period for the state's application opened on October 20, 2023, and closed on November 19, 2023. CMS received three comments, two of which were not related to the demonstration, and one of which was supportive of the demonstration extension.

CMS has concluded that extending the Nebraska Substance Use Disorder (SUD) Program Section 1115(a) Demonstration, is likely to promote the objectives of Medicaid.

Other Information

CMS's approval of this demonstration is conditioned upon compliance with the enclosed set of expenditure authorities and STCs defining the nature, character and extent of anticipated federal involvement in the demonstration. The award is subject to CMS receiving written acceptance of this award within 30 days of the date of this approval letter. Your project officer for this demonstration is Shelby Higgins, who is available to answer any questions concerning your section 1115 demonstration and her contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop: S2-25-26
7500 Security Boulevard
Baltimore, MD 21244-1850

Email: Shelby.Higgins@cms.hhs.gov

If you have questions regarding this approval, please contact Karen Llanos, Acting Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at Karen.Llanos@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink that reads "Drew Snyder". The signature is written in a cursive, flowing style.

Drew Snyder
Deputy Administrator and Director

Enclosure

cc: Tyson Christensen, State Monitoring Lead, Medicaid and CHIP Operations Group