



**State Demonstrations Group**

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Mitch Roob  
Acting Director of Medicaid  
State of Indiana, Family and Social Services Administration  
402 West Washington Street, Room W461, MS 25  
Indianapolis, IN 46204

Dear Acting Director Roob:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved a temporary extension of the substance use disorder (SUD) and the serious mental illness (SMI) authorities in the “Healthy Indiana Plan (HIP)” section 1115 demonstration (Project Number 11-W-00296/5) in order to allow the state and CMS to continue negotiations on the state’s extension application for these authorities, which was submitted on December 20, 2024. The SUD and SMI demonstration authorities will now expire on December 31, 2026, rather than on December 31, 2025. CMS acknowledges the active litigation regarding the other authorities in the HIP demonstration, which would otherwise not expire until December 31, 2030.

CMS’s approval of the temporary extensions of the SUD and SMI authorities is conditioned upon the state’s continued compliance with the special terms and conditions (STCs) defining the nature, character, and extent of anticipated federal involvement in the project. The current SUD and SMI program STCs will continue to apply during the temporary extension of this demonstration. The state’s current budget neutrality agreement will continue to apply as described in the STCs, until December 31, 2026, or until the demonstration is extended, whichever is sooner. CMS acknowledges that section 71118 of subchapter C of chapter 1 of subtitle B of title VII of Public Law 119-21, which CMS refers to as the Working Families Tax Cut (WFTC) legislation, adds a new subsection (g) to section 1115 of the Social Security Act with budget neutrality requirements that will apply beginning January 1, 2027, to CMS approvals of section 1115 Medicaid demonstration project applications, renewals, or amendments.<sup>1</sup> CMS intends to provide additional information prior to January 1, 2027 about the section 1115(g) requirements.

CMS also acknowledges that chapter 1 of subtitle B of title VII of WFTC legislation, makes additional changes to the Medicaid and CHIP programs. To the extent that any of those changes will affect the authorities within this demonstration, CMS will partner with Indiana to ensure compliance with and successful implementation of changes as described in the WFTC legislation during this demonstration period.

The state must continue to monitor the demonstration, including the SUD and SMI authorities, as stipulated in the STCs. The state may include the temporary extension period within its SUD and SMI Summative Evaluation Reports for the current demonstration period, due 18 months after the end of the temporary extension period. Alternatively, if CMS approves a full extension

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of the SUD and SMI authorities, the state may include the SUD and SMI temporary extension period in the evaluation activities for the next full SUD and SMI demonstration approval period.

Your CMS project officer for this demonstration is Alicia Bazell. Alicia is available to answer any questions concerning your section 1115 demonstration and can be reached at [Alicia.Bazell@cms.hhs.gov](mailto:Alicia.Bazell@cms.hhs.gov). If you have questions regarding this communication, please contact me at [Karen.Llanos@cms.hhs.gov](mailto:Karen.Llanos@cms.hhs.gov).

Sincerely,

Karen LLanos  
Acting Director

cc: Rhonda Gray, State Monitoring Lead, Medicaid and CHIP Operations Group