

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-25-26
Baltimore, MD 21244-1850



State Demonstrations Group

November 17, 2025

Laura Phelan
Medicaid Administrator
Illinois Department of Healthcare and Family Services
201 South Grand Ave. East
Springfield, IL 62763-0001

Dear Administrator Phelan:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved a temporary extension of the state's section 1115 demonstration, entitled "Continuity of Care and Administrative Simplification" (Project Number: 11-W-00341/5), in order to allow the state and CMS to continue negotiations over the state's demonstration application submitted on June 30, 2025. This demonstration will now expire December 31, 2026.

CMS's approval 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 STCs, waivers, and expenditure authorities 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 Cuts Legislation (WFTCL), 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.¹ 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 the WFTCL makes other 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 Illinois to ensure compliance with and successful implementation of changes as described in the WFTCL during this temporary extension period.

The state must continue to monitor and evaluate its demonstration as stipulated in the STCs. The state may include the temporary extension period within its Summative Evaluation Report for the

¹ <https://www.congress.gov/bill/119th-congress/house-bill/1/text>

current demonstration period, due 18 months after the end of the temporary extension period. Alternatively, if CMS approves a full demonstration extension, the state may include the temporary extension period in the evaluation activities for the next full demonstration approval period.

Your CMS project officer for this demonstration is Jonathan Morancy. Mr. Morancy is available to answer any questions concerning your section 1115 demonstration and can be reached at Jonathan.Morancy@cms.hhs.gov.

Sincerely,

Karen LLanos
Acting Director

cc: Courtenay Savage, State Monitoring Lead, Medicaid and CHIP Operations Group