



State Demonstrations Group

November 25, 2025

John Connolly
Deputy Commissioner and State Medicaid Director
Minnesota Department of Human Services
540 Cedar Street
St. Paul, MN 55167-0983

Dear Deputy Commissioner Connolly:

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 "Minnesota Substance Use Disorder System Reform" (Project Number: 11-W-00320/5), in order to allow the state and CMS to continue negotiations over the state's demonstration application submitted on December 19, 2023. This demonstration will now expire on March 31, 2026.

CMS's approval is conditioned upon the state's continued compliance with the special terms and conditions (STC) defining the nature, character, and extent of anticipated federal involvement in the project. The current STCs 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 March 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 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 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 Minnesota to ensure compliance with and successful implementation of changes as described in the WFTC 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 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.

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

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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: Sandra Porter, State Monitoring Lead, Medicaid and CHIP Operations Group