



State Demonstrations Group

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December 23, 2025

Adela Flores-Brennan  
Medicaid Director  
Colorado Department of Health Care Policy and Financing  
1570 Grant Street  
Denver, CO 80203

Dear Director Flores-Brennan:

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 "Colorado Expanding the Substance Use Disorder Continuum of Care" project number: 11-W-00336/8 and 21-W-00079/8, in order to allow the state and CMS to continue negotiations over the state's demonstration application submitted on December 23, 2024. This demonstration will now expire 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, 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 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 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 the WFTC legislation 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 Colorado to ensure compliance with and successful implementation of changes as described in the WFTC legislation during this temporary extension period.

Lastly, CMS also recognizes that the letter to states titled "Section 1115 Demonstration Authority for Continuous Eligibility Initiatives"<sup>2</sup> acknowledges that CMS does not anticipate approving a

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

<sup>2</sup> <https://www.medicaid.gov/resources-for-states/downloads/contin-elig-ltr-to-states.pdf>

new section 1115 demonstration expenditure authority that allows for expanded continuous eligibility in Colorado or extending the existing section 1115 demonstration authority for expanded continuous eligibility in Colorado. To date Colorado has not implemented and does not intend to utilize the expenditure authority for the expanded continuous eligibility for children (including CHIP) up to age three and beneficiaries leaving incarceration.

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.

Your CMS project officer for this demonstration is Alex Desatoff. Mr. Desatoff is available to answer any questions concerning your section 1115 demonstration and can be reached at [Alexei.Desatoff@cms.hhs.gov](mailto:Alexei.Desatoff@cms.hhs.gov).

Sincerely,

Karen LLanos  
Acting Director

cc: Ronna Bach, State Monitoring Lead, Medicaid and CHIP Operations Group