



September 10, 2025

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# Briefing on Rural Health Transformation Fund

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Prepared by SFAC and HAC Committee Staff



# What is the Rural Health Transformation (RHT) Program?

- A new federal program created in H.R. 1 (P.L. 119-21), signed into law on July 4, 2025, to create a \$50.0 billion fund to promote improvements in rural health.
  - Proposed to address the concerns of certain members of Congress regarding the impact of other Medicaid provisions on rural health care.
- According to the Centers for Medicare and Medicaid Services, the program empowers states to strengthen rural communities across America by improving healthcare access, quality, and outcomes by transforming the healthcare delivery ecosystem.



# Program Funding is Significant and Provided Over Five Years

- Congress provided \$10.0 billion a year from federal FY 2026 through FY 2030.
- States are eligible to receive half (\$5.0 billion a year) of the funding equally, which is \$100.0 million a year for each state and no state match is required.
  - Initial \$5.0 billion a year is contingent on an approved state application; and
  - The distribution of the other \$5.0 billion a year is determined by the Administrator of the Centers for Medicare and Medicaid Services based on state applications.
    - At least one-fourth of the states with an approved application may be allotted these additional funds, which must consider the size of a state's rural population, proportion of state rural health facilities to the number nationwide, the situation of hospitals in a state that serve a disproportionate number of low-income patients with special needs, and other factors the Administrator deems appropriate.
- Each allotment is available to a state through the end of the following federal fiscal year and any unexpended or unobligated funds as of October 1, 2032, shall be returned to the U.S. Treasury.
- Provides that any misuse of funds by a state can result in withholding, reducing or receiving payments to a state if such payments are not consistent with the application submitted by the state.

# Strategic CMS Goals



Source: Centers for Medicare and Medicaid presentation on the Rural Health Transformation Program, August 2025.



# Permitted Uses of the Funding

- Promoting evidence-based, measurable interventions to improve prevention and chronic disease management.
- Providing payments to health care providers for the provision of health care items or services.
- Promoting consumer-facing, technology-driven solutions for the prevention and management of chronic diseases.
- Providing training and technical assistance for the development and adoption of technology-enabled solutions that improve care delivery in rural hospitals, including remote monitoring, robotics, artificial intelligence, and other advanced technologies.
- Recruiting and retaining clinical workforce talent to rural areas, with commitments to serve rural communities for a minimum of five years.
- Providing technical assistance, software, and hardware for significant information technology advances designed to improve efficiency, enhance cybersecurity capability development, and improve patient health outcomes.
- Assisting rural communities to right size their health care delivery systems by identifying needed preventative, ambulatory, pre-hospital, emergency, acute inpatient care, outpatient care, and post-acute care service lines.
- Supporting access to opioid use disorder treatment services, other substance use disorder treatment services, and mental health services.
- Developing projects that support innovative models of care that include value-based care arrangements and alternative payment models, as appropriate.
- Additional uses designed to promote sustainable access to high quality rural health care services.

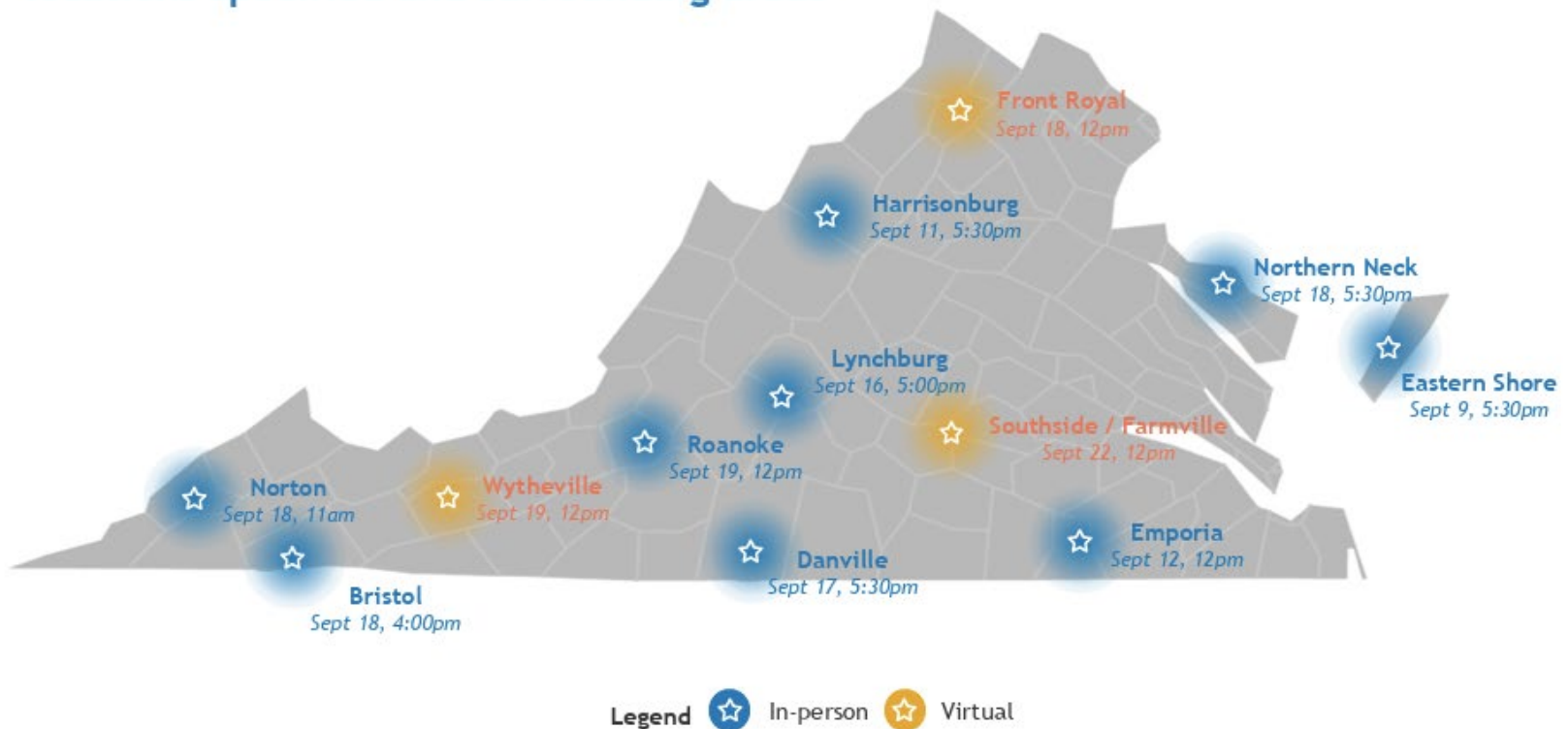


# Incorporating Stakeholder Input

- Governor issued Executive Directive 12 on August 13, 2025, directing the Secretary of Health and Human Resources (HHR) to develop Virginia's Rural Health Transformation Plan with stakeholder input.
- On August 27, the Secretary of HHR had a virtual kickoff presentation. As part of stakeholder engagement, the Secretary is seeking to:
  - Analyze Virginia's unique rural health care needs;
  - Conduct broad engagement with communities and stakeholders across the Commonwealth;
  - Assess national best practices; and
  - Develop a Virginia-specific investment strategy.
- On September 4, the Secretary sent a letter to members of the General Assembly to update them on the initiative and seek feedback.
- Proposals from stakeholders are due by September 15 and are limited to 10 pages based on guidance from the virtual stakeholder meeting.

# Secretary is Holding Listening Sessions Across the State

Rural Health | Listening sessions to be held between Sept 9 and Sept 22 for locations specified and surrounding areas



Source: Secretary of Health and Human Resources stakeholder kickoff presentation.



# Accessing the Program Requires a State Application

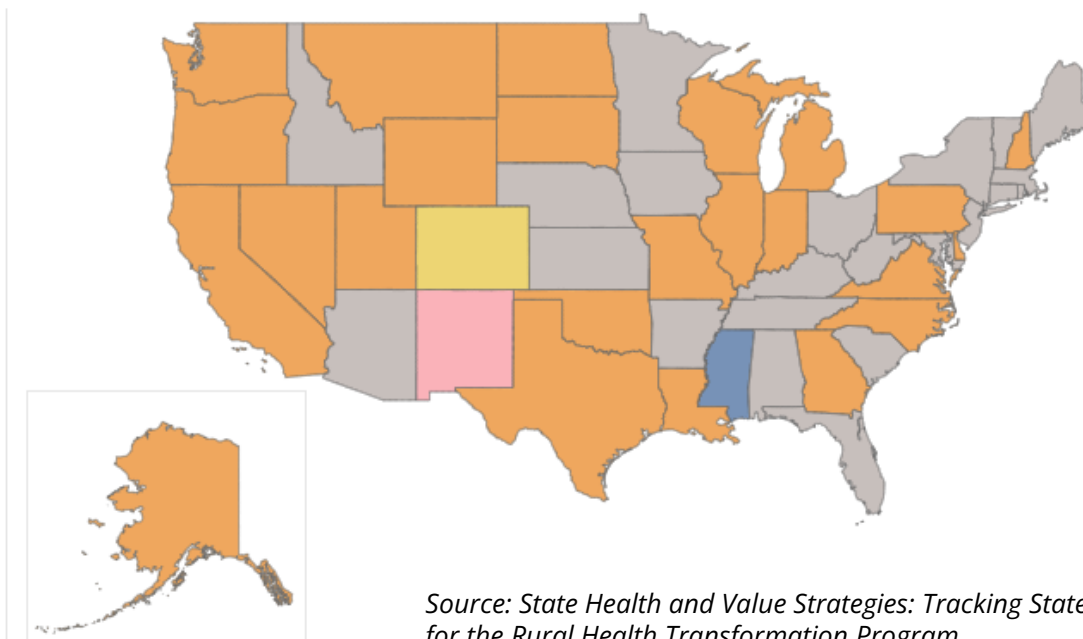
- Application expected to be released from CMS by mid-September.
- Application due from states by early November.
- CMS to make awards by December 31, 2026.
- Virginia is using a consultant, the Boston Consulting Group, to assist with stakeholder input and assist in developing the state application.
- The application will define Virginia's plan and will be the basis to access additional funding beyond the state minimum.
  - Must plan to use the funding to carryout at least three of the statutory uses.
  - Up to 10 percent a year may be used for state administrative expenses.
  - State must certify that none of the amounts provided shall be used by the State to finance the non-federal share of expenditures.

# Other State Activity

Map updated as of: 9/5/2025

## Rural Health Transformation Activity

- State is Requesting Public Input
- State has Issued an Explainer
- State is Requesting Public Input and Soliciting a Consultant
- State is Soliciting a Consultant
- No Actions



Source: State Health and Value Strategies: Tracking State Preparation for the Rural Health Transformation Program



# Key Takeaways

- The Rural Health Transformation Fund is broader than just providing financial support to rural hospitals.
- Virginia could receive a minimum of \$500.0 million over five years and could receive a higher amount based on the state's application and federal approval of any additional funds.
- How the state decides to use these funds will be part of the application submitted to the federal government this November.
  - It is unclear whether changes or amendments to the state's application can be made in future years to alter how the funding is to be used.
  - The application process and timeline for stakeholder feedback is short.
- This initiative provides additional federal funds to invest in rural health care and requires no state match.
  - The funding is time-limited and should likely be directed toward investments in rural health care that do require significant on-going funding to sustain.