

### **FUNDING OPPORTUNITY FOR STATES:**

RURAL HEALTH TRANSFORMATION PROGRAM

Before the end of 2025, states may apply to the Centers for Medicare & Medicaid Services for funding to implement a rural health transformation plan under the Rural Health Transformation Program, created by Section 71401 of the <u>One Big Beautiful Bill Act</u> (OBBBA). This fact sheet provides an overview of the Program.

## WHAT IS A RURAL HEALTH TRANSFORMATION PLAN?

To be eligible for funding under the Rural Health Transformation Program, states must submit a rural health transformation plan that includes how the state will:

- Improve access to hospitals, health care providers, and health care services for rural residents:
- Improve health care outcomes of rural residents;
- Prioritize the use of new and emerging technologies that emphasize prevention and chronic disease management;
- Increase collaboration and strategic partnerships between rural hospitals and other health care providers, including to increase financial security and maximize economies of scale;
- Enhance recruitment and training for health care clinicians:
- Prioritize data and technology driven solutions to help rural hospitals and providers deliver high-quality health care close to patients' homes;
- Strategically manage long-term financial solvency and operating models of rural hospitals; and
- Identify causes for stand-alone rural hospitals being at risk of closure, conversion, or service reduction.

### WHAT CAN STATES USE THE FUNDING FOR?

States must use the funding for **at least three** of the following activities:

- Promoting evidence-based, measurable interventions to improve prevention and chronic disease management;
- Providing payments to health care providers (as specified by the CMS Administrator);
- 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, such as AI, that improve care delivery in rural hospitals;
- Recruiting and retaining a rural clinical workforce that is committed to serve rural communities for a minimum of 5 years;
- Providing technical assistance, software, and hardware for improving efficiency, enhancing cybersecurity capability development, and improving patient health outcomes:
- Assisting rural communities to "right size" their health care delivery systems by identifying needed service lines;
- Supporting access to substance use disorder treatment and mental health services:
- Developing projects that support value-based care arrangements and alternative payment models, and other innovative models of care;
- Additional uses--as determined by the CMS
   Administrator--to "promote sustainable access to high quality rural health care services."

While the use of these funds range and allow for considerable discretion in how the funds are used and allocated, the program presents a new opportunity for states to leverage federal funding in ways that pave a stable path for rural healthcare. As states are implementing provisions of the OBBBA, they should consider ways to utilize this funding to minimize harm caused to patients living in rural areas by incentivizing a move towards more sustainable financing structures longterm. While this funding isn't permanent, it can serve as an integral component for states looking for solutions to move away from fee-for-service payment structures and towards models that promote patient-first care, such as global budgets.

# HOW MUCH MONEY IS AVAILABLE AND WHEN WILL IT BE AVAILABLE?

This program is funded at \$10 billion per fiscal year, for a total of \$50 billion over five years (2026 through 2030). Under the statute, the funding will be allocated as follows:

- \$5 billion, or 50% of the total funding, for each year will be divided equally among all states with an approved application
- \$5 billion, or 50% of the total funding, for each year will be divided in a manner determined by the CMS Administrator.

So, if all 50 states apply for funding under the program and CMS approves their applications, each state would receive a minimum of \$100 million per year. This base funding amount could increase if not all states submit applications and/or do not receive approval for their applications. States could also receive additional money depending on how CMS allocates the second portion of the funding. Additionally, the statute limits states' use of this funding for administrative expenses to 10 percent of each year's allotment.

### WHO CAN APPLY?

All 50 states (excluding DC and the territories) are eligible for funding under this program, and we encourage all states to apply. The OBBBA does not include requirements for legislative authority, but states may need to ensure appropriate spending authority exists. The statute does not list specific state agencies that have to be part of the application process.

### WHEN DO STATES NEED TO APPLY?

CMS is responsible for establishing the application process and making funding awards under this program. The statute directs CMS to establish an application submission period, but specifies that it may not end later than December 31, **2025,** which means applications may be due before then. Additionally, the statute requires that CMS approve or deny all applications by December 31, 2025. It is important to note that the statute establishes a one-time application for this funding – meaning if states receive approval, they will be eligible for an allotment of funding for each of the five fiscal years. With this timeline in mind, we encourage states to develop collaborative processes among agencies and to tie their application to existing efforts that bolster the sustainability of rural health care access that are already underway in order to maximize the effectiveness and use of the funds.

### WHAT OTHER DETAILS DO STATES NEED TO KNOW?

CMS published a <u>website</u> dedicated to the Rural Health Transformation Program funding opportunity, which outlines the goals, components, and timeline associated with this program and funding. According to the website, CMS will publish a Notice of Funding Opportunity (NOFO) in mid-September, with funding distributed to approved applicants through a cooperative agreement. Given the implementation timeline, we expect that states will need to act quickly if they choose to apply for this funding. It is important to note that the statute prevents CMS from implementing this program using notice and comment rulemaking, so states and other stakeholders should not expect CMS to propose a methodology or program details through rulemaking that they will have an opportunity to respond to formally.

