Rural Health Transformation Program: Notice of Funding Opportunity Explainer

Section 71401 of the One Big Beautiful Bill Act ("OB3") established the Rural Health Transformation Program (RHTP), providing states with a new funding opportunity aimed at improving health care access, quality, and outcomes in rural communities across the country. States interested in this opportunity must submit to the Centers for Medicare & Medicaid Services (CMS) a one-time application that will determine eligibility for this five-year funding opportunity. Interested stakeholders seeking to learn about the general program can review a previous fact sheet on the RHTP. As of publication, this fact sheet provides additional details into the Notice of Funding Opportunity (NOFO) released on September 15, 2025.

Who can apply for RHTP funding?

Applicants and awardees must be single states; U.S. territories and the District of Columbia are not eligible. Multi-state initiatives are allowed within a single state's application; however, joint state applications are not allowed. A state's Governor can designate a lead agency or office to develop and submit the application. States can subaward and/or subcontract RHTP funding, but they must make the process and criteria for selecting these entities clear in the application. Moreover, states do not need to have a large rural population or rural hospitals to apply. These funding awards will be issued through a cooperative agreement, which means that CMS will be a more active participant with states as they implement initiatives with this funding.

Key Considerations for RHTP Funding Applicants

- Stakeholders should understand the priorities and goals for the RHTP that CMS has outlined in the NOFO, including the emphasis on: prevention and population health (or "Make Rural America Healthy Again"); bolstering the health care workforce; improving sustainable access to care; advancing care delivery to improve outcomes, coordinate care, and reduce costs; and leveraging innovative technology in care delivery.
- Stakeholders should articulate priorities that you hope the Governor's office and Department of Health will prioritize in its application, and work with state lawmakers to do the same.
- States should meaningfully engage with a wide variety of stakeholders throughout the application and implementation processes.
- Consider existing initiatives that are already meeting the goals and objectives laid out in the RHTP and NOFO and opportunities for expansion or enhancement.
- Consider how RHTP funding can be leveraged to design and implement initiatives and policies that can be sustainable beyond the program's expiration.
- **Consider how RHTP funding can be leveraged to implement value-based care, or "patient-first care" models that improve financial stability and predictability for hospitals and providers while helping to control costs – including hospital global budgets.**
- Assess the state policies prioritized in the NOFO, including the feasibility and impact in your state and community.
- Understand that award funding levels can and may change from one budget period to the next.

PROGRAM GOALS & AIM FOR USES OF FUNDING

CMS has outlined the following Strategic Goals for states' RHTP plans under this funding opportunity:

Make Rural America Healthy Again	Sustainable Access	Workforce Development	Innovative Care	Tech Innovation

In alignment with these Strategic Goals, states' applications must propose to invest these funds in *at least three* of the following areas:

- Prevention and chronic disease
- Provider payments
- Consumer tech solutions
- Training and technical assistance
- Workforce
- IT advances
- Appropriate care availability
- Behavioral health
- Innovative care
- Capital expenditures and infrastructure*
- Fostering collaboration*

Key Dates & Deadlines for Applicants & Awardees	
September 19 & 25, 2025	Informational program introduction webinars hosted by CMS for prospective applicants.
September 30, 2025	Optional Letter of Intent due by 11:59pm ET.
November 5, 2025	One-time application due for RHTP Funding by 11:59pm ET.
December 31, 2025	Expected award date & award funding amountfor FY 2026.
By October 31, 2026	Award funding amount determined for FY 2027.
By October 31, 2027	Award funding amount determined for FY 2028.
By October 31, 2028	Award funding amount determined for FY 2029.
By October 31, 2029	Award funding amount determined for FY 2030.

HOW GRANTS ARE FUNDED

Funding Distribution
$50B in total program funding is available from FY 2026 through FY 2030, which amounts to $10B per budget period (across 5 budget periods). Of that $10B per budget period: • **$5 billion** (or 50%) is allocated equally among all approved states as **baseline funding** • **$5 billion** (the other 50%) is allocated as **workload funding** "based on the content and quality of your application and rural factors" (described below) • States' **funding awards are determined for each individual budget period**, meaning that states could see the amount of their funding award fluctuate from year to year. See "*Key Dates & Deadlines for Applicants & Awardees*" for award funding amount announcement dates. • Any funds that are unexpended (i.e. awarded funds that are not spent by states in a given budget period) or unobligated (i.e. not awarded by CMS in a given budget period) will be redistributed in the next fiscal year. Any funds remaining as of October 1, 2032 will be returned to the Treasury.

OVERVIEW OF "WORKLOAD FUNDING" COMPONENT

The statute is clear that of the $50B (baseline funding), the first half ($25B) must be distributed equally among states with an approved application; however, it provides CMS with significant discretion for determining how the second half ($25B) of the funding (workload funding) is to be awarded to states. CMS outlines the process by which it will calculate a state's workload funding amount in the NOFO.

Calculating Workload Funding

- Workload funding will be set based on a state's application and data sets determined by two categorical inputs:
- Rural facility and population score: Calculated on the basis of a number of different data-driven factors from Q4 2025 (not recalculated for each new budget period)
- Technical score: Calculated on the basis of a number of different factors, including initiatives included in the state's application, data metrics, and current state policy (will be recalculated every budget period based on information and data included in a state's annual report).

Workload Funding Factors: The "Points System"

State applications will be evaluated on a points-based system across several dimensions and factors, as well as a relative weighting of the factors. There are three types of metrics on which states will be awarded points:

- **Data-Driven Metrics:** Points awarded based on the value of a state's metrics compared to other states.
- **Initiative-Based Metrics:** Points awarded based on a qualitative assessment of the programmatic initiatives outlined in a state's application and subsequent follow-through. States should decide what types of initiatives they use funding on and do not have to use funding on all initiative-based factors.
- **State Policy Actions:** Points awarded based on current state policy, a proposed policy action a state commits to by accepting the funding award, and subsequent follow-through toward meeting these policy action commitments. The points awarded for most of these state policy actions are scaled on the basis of a state's progress or the degree to which a state's current policy meets the objective laid out by CMS (i.e. a state will receive 0 points for a restricted scope of practice for nurse practitioners, 50 points for a reduced scope of practice, and 100 points for full scope of practice under the "Scope of Practice" technical factor). Other state policy actions are awarded points on an "all-or-nothing" basis (i.e. a state will receive 100 points for re-establishing the Presidential Fitness Test in schools and 0 points for not doing so under the "Health & Lifestyle" technical factor). These are noted with an "*" in Table 2 below.

Table 1: Rural Facility & Population Score Factors and Weight

Rural Facility & Population Score Factors	Factor Type	% Weight
Absolute Size of Rural Population in a State	Data-driven	10%
Proportion of Rural Health Facilities in the State	Data-driven	10%
Uncompensated Care in the State	Data-driven	10%
% of State Population Located in Rural Areas	Data-driven	6%
Metrics That Define a State as Being Frontier	Data-driven	6%
Area of a State in Total Square Miles	Data-driven	5%
% of Hospitals in a State that Receive Medicaid DSH Payments	Data-driven	3%

Table 2: Technical Score Factors & Weight

Technical Score Factors	Factor Types	% Weight
Population Health Clinical Infrastructure: Integrated care models focused on preventive care, long-term care, behavior health, and other social health services through coordination amongst existing community stakeholders.	Initiative-based	3.75%
Health & Lifestyle: Prevention-focused initiatives based on nutrition, diet, and exercise. The state policy action factor is requiring schools to re-establish the Presidential Fitness test.	Initiative-based and State policy actions*	3.75%
SNAP Waivers: Waiver that restricts the use of SNAP benefits on non-nutritious foods.	State policy actions	3.75%
Nutrition Continuing Medical Education: Requiring that nutrition be included in continuing medical education for physicians.	State policy actions	1.75%
Rural Provider Strategic Partnerships: Rural health care facilities joining clinically integrated networks with other rural facilities or partnering with larger health care systems to share resources and improve access to services in their communities.	Initiative-based	3.75%
EMS: More seamless integration of EMS services with the health care ecosystem and increased efficiency in delivering services.	Initiative-based	3.75%
Certificate of Need (CON): Eliminating or loosening CON laws.	State policy actions	1.75%
Talent Recruitment: Building a strong local health care workforce.	Initiative-based	3.75%
Licensure Compacts: Implementing licensure compacts to all providers to serve patients across state borders. This state policy action factor evaluates licensure compacts for physicians, nurses, EMS, psychology providers, and physician assistants.	State policy actions	1.75%
Scope of Practice: Expanding the scope of practice (i.e. allowing clinicians to practice at the top of their license) for physician assistants, nurse practitioners, pharmacists, and dental hygienists.	State policy actions	1.75%
Medicaid Provider Payment Incentives: Establishing value-based care initiatives focused on care delivery that improve quality and reduce costs.	Initiative-based	3.75%
Individuals Dually Eligible for Medicare and Medicaid: Supporting dual-eligible enrollment in integrated plans that more intentionally coordinate care. The data-driven factor evaluates integrated plan availability and enrollment among duals and whether the state has a designated duals contact person.	Initiative-based and Data-driven	3.75%
Short-Term, Limited-Duration Insurance (STLDI): Not regulating STLDI beyond the latest federal guidance.	State policy actions*	1.75%
Remote Care Services: Expanding access to remote care services through enhanced infrastructure in the state. The state policy action factor evaluates a state's Medicaid payment policies on live video, store and forward, remote patient monitoring, in-state licensing requirements, and telehealth license/registration process.	Initiative-based and State policy actions	3.75%
Data Infrastructure: Enhancing data infrastructure within the state, such as investments in EHR, clinical support, and operational software infrastructure. The data-driven factor evaluates whether states reach targets on T-MSIS Medicaid data submissions.	Initiative-based and Data-driven	3.75%
Consumer-Facing Technology: Supporting the development, appropriate usage and/or deployment of various consumer-facing health technology tools for the prevention and management of chronic diseases.	Initiative-based	3.75%