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Understanding the rural health transformation program

Health Policy Unpacked
Washington Council Ernst & Young
Rural Health Transformation Fund edition

The better the question. The better the answer.
The better the world works.

H.R.1, also known as the One Big Beautiful Bill Act, established the Rural Health Transformation (RHT) Program, which aims to strengthen rural health care through innovation, sustainable and efficient access, workforce investment, and the expansion of technology-enabled care models. The program provides \$50 billion in grants to states between fiscal years (FY) 2026 and FY 2030, which is allocated through two funding streams:

\$25b

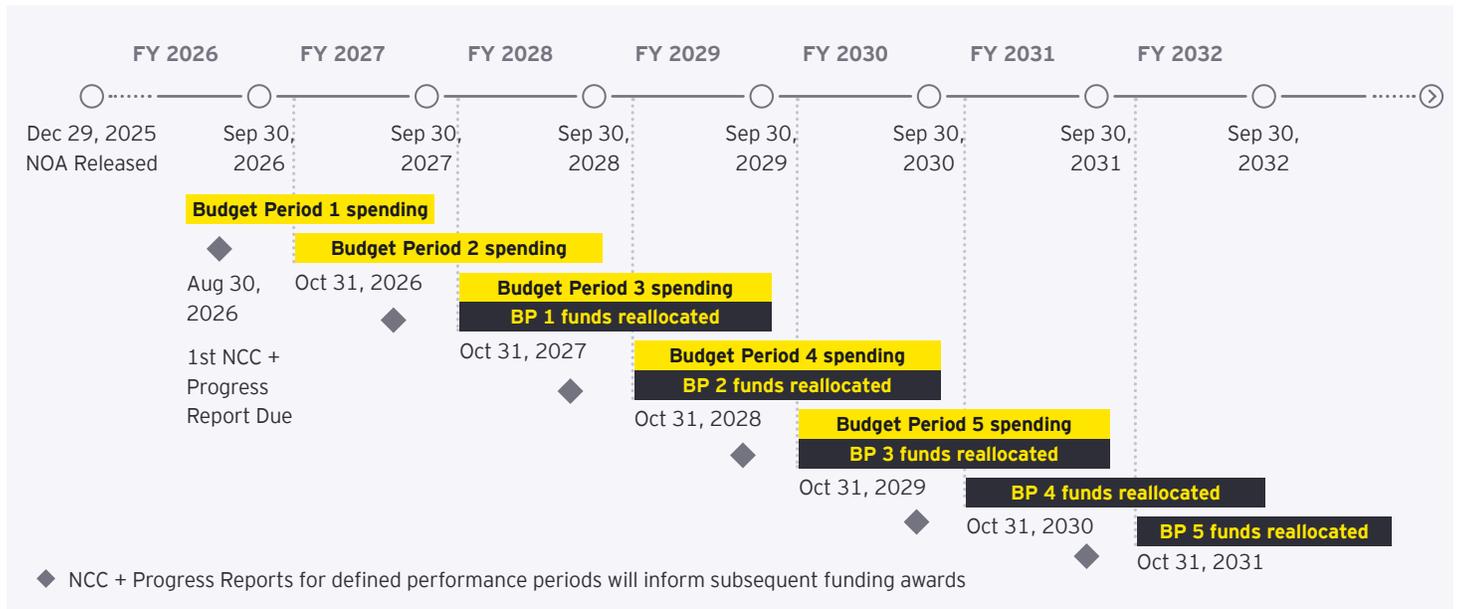
in baseline funding, allotted equally among states with an approved application

\$25b

in workload funding, distributed based on 23 weighted factors including ruralness, state policies, and quality of application

On December 31, 2025, the Centers for Medicare and Medicaid Services (CMS) approved applications for all 50 states, with awards ranging from \$147 million to \$281 million. Each year over the next five years, states can expect to receive at least \$100 million, with another \$100 million or more in additional funding tied to state-specific rural factors and the state's progress implementing identified initiatives and achieving performance measures. If states are unable to demonstrate progress or unable to obligate and spend the grant funding within the budget window, funding will be reallocated to other states. Similarly, states and grant subrecipients must establish processes to remain compliant with RHT Program grant spending restrictions and competitive procurement requirements. For example, capital expenditures and infrastructure investments are limited to 20%, and direct payments to healthcare providers are capped at 15% – however, the opportunity for providers and vendors to support innovative care models outlined in state RHT Program initiatives are not limited by these caps.

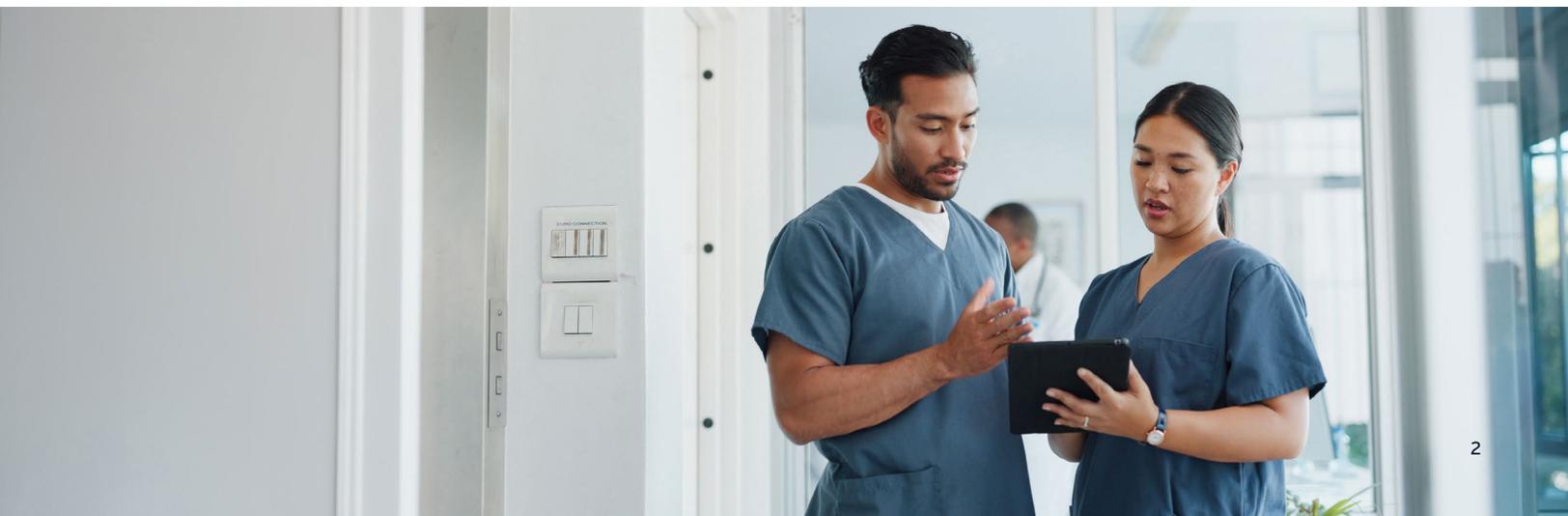
To enhance their RHT Program grant potential, states and grant subrecipients will need to align with RHT Program priorities and must actively manage these dual risks: performance delivery risk and grant compliance risk. The RHT Program award cycle and performance period, along with CMS's defined biannual budget periods and grant compliance milestones, are depicted in the image below.



This annual performance-based, “stage-gated” grant funding cycle will continue each year for the next five years through 2030. Although states must obligate this funding for Budget Period (BP) 1 by October 30, 2026, they will have until October 30, 2027, to spend the money. States are accountable for delivering on their approved RHT Program plans, initiatives and measures, as well as distributing funds within the timelines outlined in their grant applications. To receive BP2 funding, states must submit Non-Competing Continuation (NCC) report along with an annual progress report by August 30, 2026, to demonstrate progress made on policy commitments and rural health initiatives through July 31, 2026, meaning states could receive more or less funding in BP2 based on their results.

Examples of state funding focus areas

- Chronic disease management and prevention
- Maternal and behavioral health access and integration
- Telehealth, remote and technologically enabled mobile care
- Health IT modernization, interoperability and cybersecurity
- Value- and population-based, coordinated care delivery models
- Rural workforce expansion and retention



Next steps for stakeholders

States

- Execute detailed initiative planning, operations and budgeting, with collaborating entities where relevant.
- Establish stakeholder engagement and cross-ecosystem governance, to coordinate and communicate across agencies and stakeholder partners and begin project delivery.
- Stand up internal compliance, reporting and performance tracking functions in preparation for BP2 funding deadlines.

Providers

- Assess and target opportunities where state plans align with your organization's strategy and capabilities to accelerate delivery.
- Consider designing innovative care models, solution design and ecosystem partner network to achieve state-specific RHT Program initiatives and outcome measures.
- Establish internal processes and enabling technologies for grants compliance. communicate across agencies and stakeholder partners and begin project delivery.

Other stakeholders and vendors

- Define RHT Program go-to-market messaging and sales strategy to communicate a unique value proposition and capabilities relative to RHT Program priorities.
- Develop state-specific RHT Program solutions and prepare for competitive RFP process.
- Consider forming cross-ecosystem partnerships to deliver more comprehensive, integrated solutions that align with state goals.

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