

Optimizing funding in the Rural Health Transformation (RHT) Program

Five lessons from Budget Period 1



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The RHT Program was designed to encourage innovation and cross-sector collaboration. Five important lessons could help states optimize future grant awards.

HR 1 included funding for the RHT Program, a five-year \$50b grant opportunity for states to invest in innovative care models, health-related workforce development and technology infrastructure in rural communities. The RHT grant funding model, however, is fundamentally different from traditional federal grant programs. RHT was designed as a performance-based “innovation stage-gate” model where future state grant awards are tied to demonstrated planning and implementation progress relative to other states.

To enable comparison across states, the U.S. Centers for Medicare & Medicaid Services (CMS) developed its milestone-based Checkpoint Model as a stage-gate performance scorecard for each RHT initiative.

In August 2026, states used this Checkpoint Model to compile their RHT Annual Report (AR) for the first budget period and to submit their Non-Competing Continuation (NCC) to request funding for the second budget period.

RHT grant awards for Budget Period 2, anticipated on October 30, will send a clear message to state RHT program leaders. If funding went up, the state is ahead of the pack – and if funding went down, there is room for improvement. Those able to move quickly and establish program governance, launch initiatives and obligate funds will continue to be rewarded with annual grant funding increases, while others will receive a “wake-up call” as their RHT grant award is reduced.

The RHT stage-gate funding model reflects a portfolio mindset. Demonstrating progress relative to other states is paramount to optimizing RHT funding potential. States must do more than distribute grant funds and hope for results.



Mitigating risks to future RHT funding

Our work across state RHT programs has led to five key insights and actions for state RHT Program leaders to de-risk future grant awards.

1 Program delivery failures jeopardize future funding

Designing, launching and managing a five-year \$1b innovation portfolio justifies a structured, disciplined program management team and governance structure. The scale, pace and performance expectations of RHT create significant delivery risks for state agencies, subrecipients and community partners. Consistently exceeding CMS Checkpoint Model milestone expectations requires detailed initiative-level planning and collaborative operating model design. Further, states unable to obligate Budget Period 1 grant awards by October 30, 2026, and spend those funds on allowable uses by September 30, 2027, will see existing RHT funds reallocated to other states and reductions in future RHT grant awards.

3 Engage community stakeholders and partners early (and often)

Delivering innovation and cross-sector collaboration in communities requires building trust. This goes beyond periodic community listening sessions and stakeholder surveys to gather input and feedback. Instead, we have found it's more effective to engage cross-sector health ecosystem stakeholders in collaborative working sessions focused on addressing unmet needs across the end-to-end rural constituent persona. These persona-based workshops have encouraged public-private sector collaboration required for implementation. More importantly, these events build trust by helping to overcome siloed behavior and align stakeholders around shared priorities at the intersection of unmet rural health needs and emerging technology possibilities.

2 Getting funds "out the door" does not transfer risk

Many states that focused on moving quickly to issue subgrants have subsequently realized an exponential increase in program delivery risks and subrecipient compliance risks. While states still own the risk, the ability to collaboratively plan and proactively engage with subrecipients may be lost. These states are solely reliant on monitoring subrecipients to ensure RHT spending remains aligned with the state's CMS-approved RHT strategy, initiatives and allowable uses of funds. To proactively manage this risk, several states and large subrecipients are reviewing and refining existing grant compliance processes and providing technical assistance to grant recipients to proactively manage these risks, including training on federal and state grant compliance requirements; proactive grant risk assessments; and development of ongoing compliance monitoring plans, processes and reporting.

4 Cross-sector data sharing is critical to transforming rural health

Aggregating and integrating data across public health, the private sector and community stakeholders will be increasingly critical to demonstrating the impact and documenting the outcomes for RHT initiatives. In most cases, this will require building new capabilities beyond existing electronic health records (EHRs) and health information exchanges (HIEs) to adequately capture, integrate and analyze structured and unstructured longitudinal data. Further, this will require states to revisit data use agreements with cross-sector ecosystem stakeholders.

5 Long-term sustainability requires a clear business case

RHT emphasizes the sustainability of investment spending – building infrastructure and capabilities supported by long-term value creation – which requires states and their subrecipients to clearly define the business model logic and operating model realities of each RHT initiative. Sustainability requires understanding the clinical, financial and operational value drivers that inform the business case and return on investment (ROI) for each rural health ecosystem stakeholder. By starting with the financial business case for investment, states can identify potential gaps and assumptions that will limit long-term economic viability and sustainability.

You don't have to 'go it alone'

State RHT Program leaders are under immense pressure to optimize the potential of this \$1b grant funding opportunity for their state. For many, RHT may be the most complex, high-risk, multi-stakeholder grant funding program they have been asked to lead. In fact, the reality is that most state RHT Program leaders do not have previous experience with a performance-based innovation stage-gate funding model and the portfolio governance structures required for success.

As states prepare for the next round of RHT funding, we suggest several specific actions below that could help accelerate performance and optimize the long-term grant funding potential.

1

Consider what your state will do differently in Budget Period 2 to accelerate progress and increase the future funding potential.

2

Identify the most significant program delivery and grant compliance risks across your state's RHT initiatives.

3

Determine if your state's existing RHT team has sufficient capacity and experience to manage the state's RHT initiative portfolio and optimize RHT funding potential while delivering on existing day-to-day commitments.

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