



**American Hospital  
Association™**

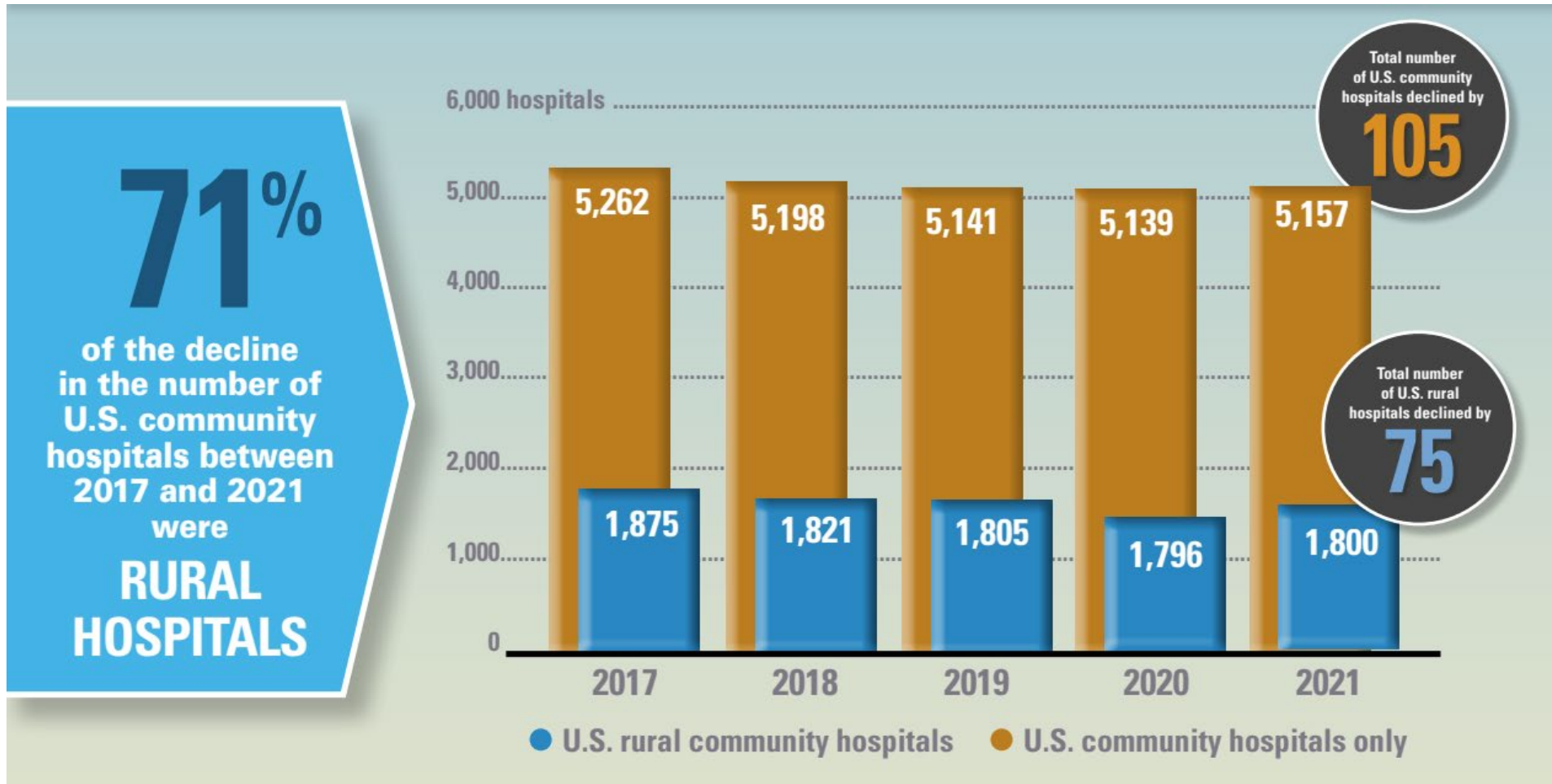
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*Advancing Health in America*

# **Rural Health Transformation Fund**

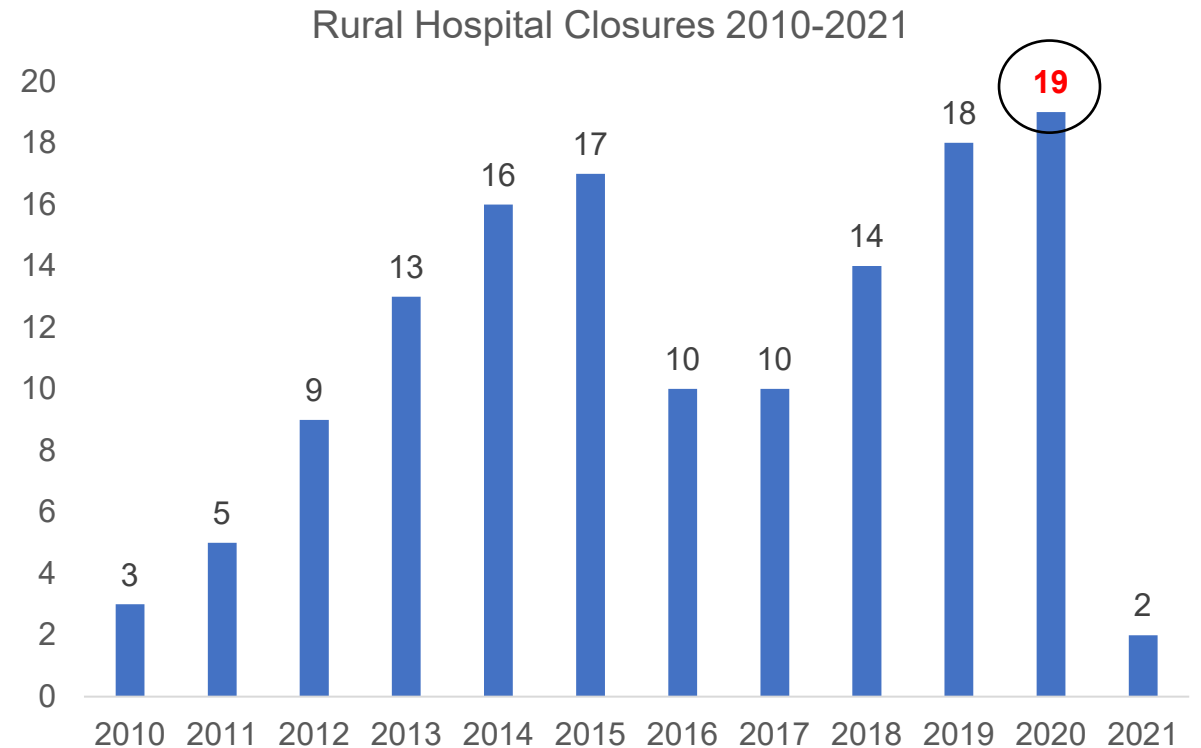
National Council of Insurance Legislators  
April 17, 2026

# Rural Hospital Landscape



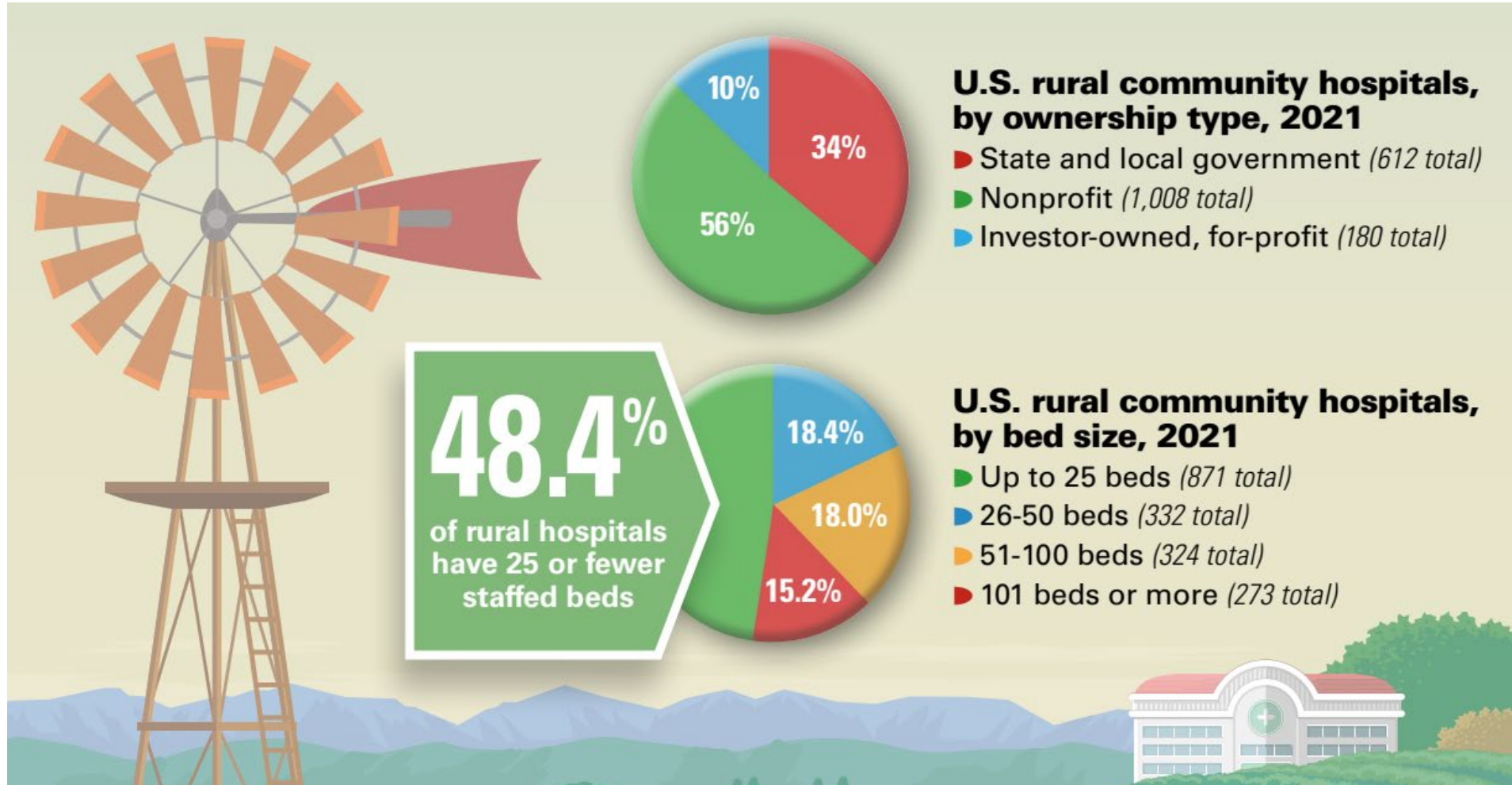
# Rural Hospital Environment

- From 2010 to 2021, 136 rural hospitals closed.
  - Slightly more than half were independent hospitals.
- In addition to impacts on care delivery in rural areas, this also impacts the economy of rural communities.
  - Rural hospitals supported 1:12 rural jobs in the U.S.
  - Provided \$220 billion in economic activity in rural communities

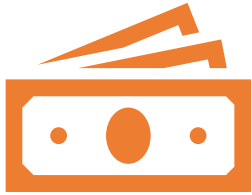


SOURCE: <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>

# Rural Hospital Landscape



# Factors Challenging Rural Hospitals



## Lower reimbursement

- Higher proportion of Medicare, Medicaid and uncompensated care



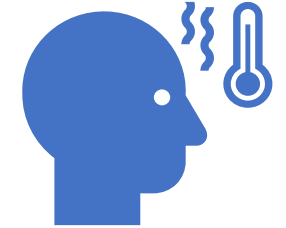
## Lower volumes

- Half of rural hospitals have 25 beds or less



## Staffing shortages

- 10% of physicians work in rural areas despite the fact that 14% of population lives in rural areas

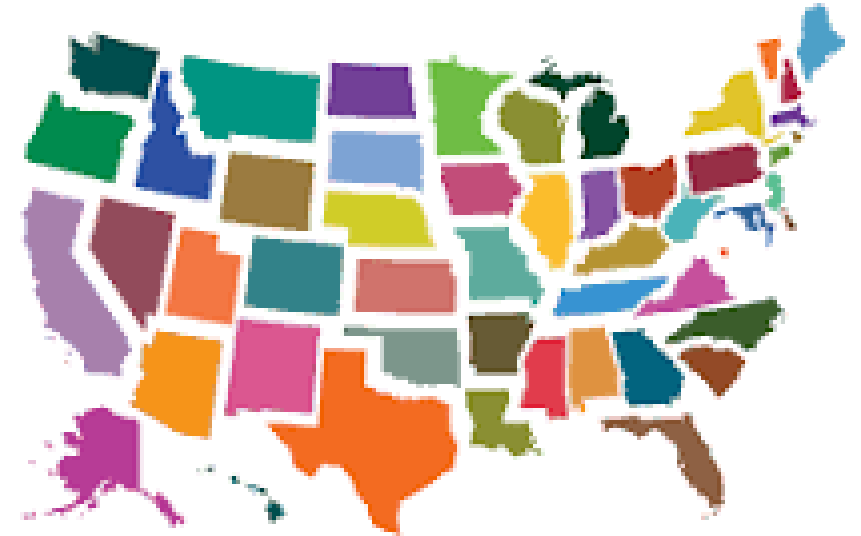


## Higher acuity patient populations

- Demographics are generally older and sicker than general population

# *Rural Health Transformation Fund*

- **\$5 billion/year equally distributed to all approved states**
- **\$5 billion/year distributed at CMS's discretion**
  - Payments to providers for "provision of health care items or services" limited to 15% of State's award.
  - Funding for "capital expenditures and infrastructure" limited to 20% of State's award



# ***Rural Health Transformation Fund***

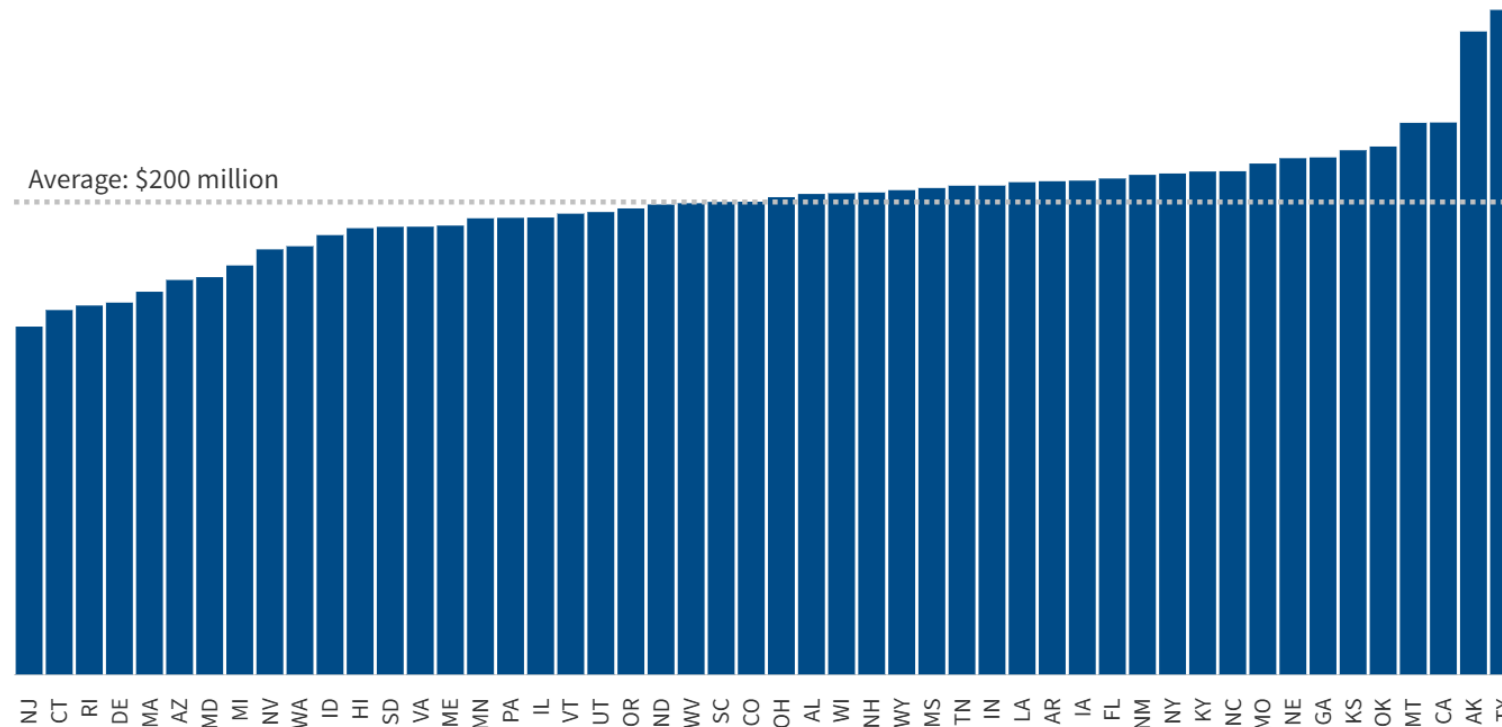
- **CMS announced awards on Dec. 29**
  - All states received awards
  - First-year awards range \$147M - \$281M
  - Established of Office of Rural Health Transformation
- **States highlighted initiatives and priorities related to:**
  - Technology innovation
  - Workforce recruitment and retention
  - Chronic disease management/MAHA



# Rural Health Transformation Fund

First-Year Awards From the Rural Health Fund Range From \$147 Million in New Jersey to \$281 Million in Texas

- The spread in total awards is relatively in a narrow band.



Notes: DC and the U.S. territories were ineligible for funding.

Source: KFF analysis of rural health fund awards from the HHS Tracking Accountability in Government Grants System (TAGGS). [Get the data](#)



# Rural Health Transformation Fund

## Make Rural America Healthy Again

Support health innovations and new access points to promote preventive health and address root causes of diseases



## Innovative Care

Spark the growth of innovative care models to improve health outcomes, coordinate care, and promote flexible care arrangements



## Sustainable Access

Help rural providers become long-term access points for care by improving efficiency and sustainability



## Tech Innovation

Foster use of innovative technologies that promote efficient care delivery, data security, and access to digital health tools by rural facilities, providers, and patients



## Workforce Development

Attract and retain a high-skilled health care workforce by strengthening recruitment and retention of healthcare providers in rural communities



- A. Prevention and chronic disease
- B. Provider payments
- C. Consumer tech solutions
- D. Training and technical assistance
- E. Workforce
- F. IT advances
- G. Appropriate care availability
- H. Behavioral health
- I. Innovative care
- J. Capital expenditures and infrastructure
- K. Fostering collaboration

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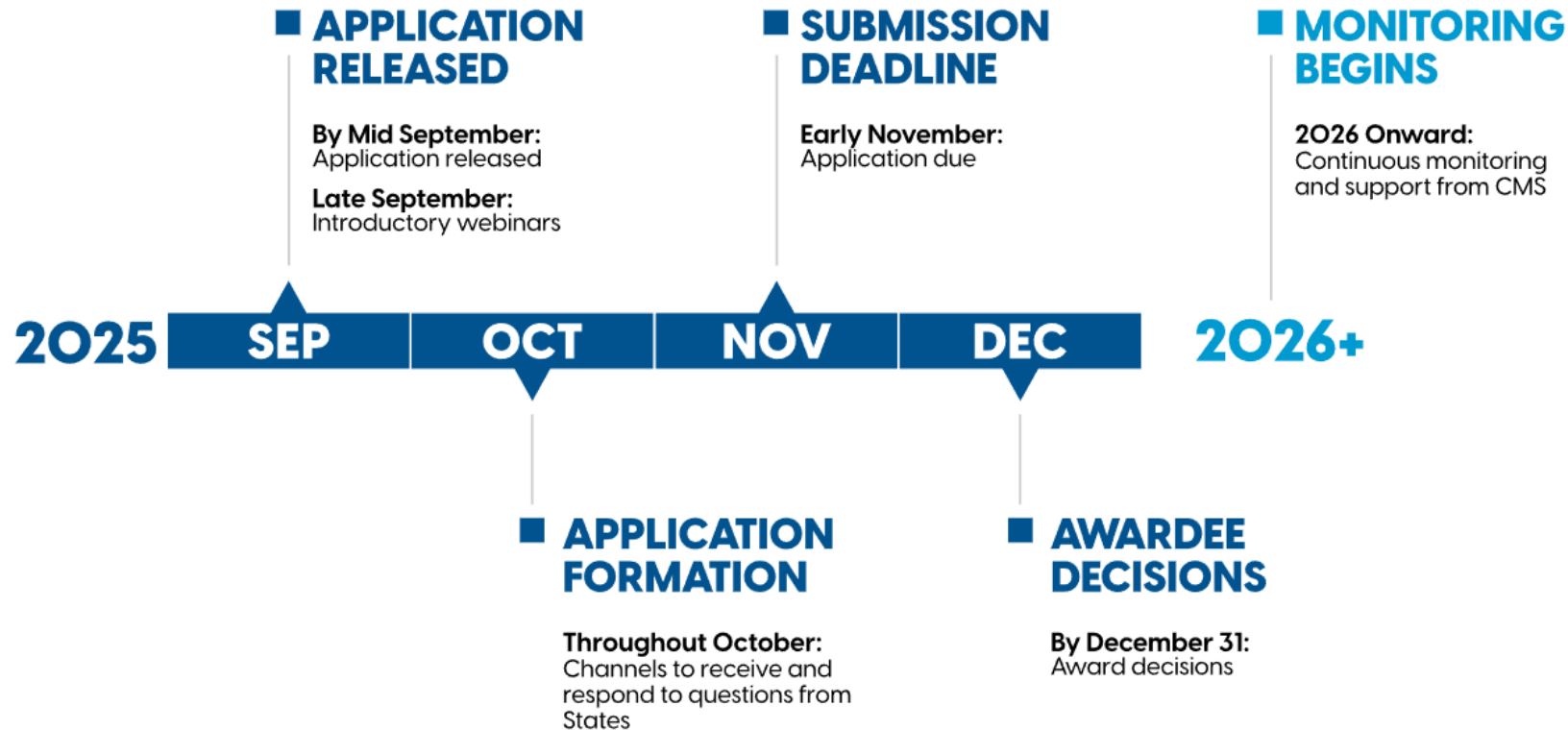
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# Rural Health Transformation Fund



- **Late Jan.:** State plan amendments due to CMS
- **Spring (?):** CMS distributes money to states
- **Summer (?):** States distribute funds according to plan

# Rural Health Transformation Fund

- **Funds should prioritize hospitals, especially those facing financial distress and aging infrastructure**
- **CMS and State do not enact undue administrative burdens to hospitals' ability to receive funds**
- **RHTP funds be separately reported on the Medicare Cost Report**
- **Require state transparency as to how they are distributing the funds**



August 11, 2025

The Honorable Mehmet Oz, M.D.  
Administrator  
Centers for Medicare & Medicaid Services  
Hubert H. Humphrey Building  
200 Independence Avenue, S.W., Room 445-G  
Washington, DC 20201

**RE: One Big Beautiful Bill Act (OBBBA) Rural Health Transformation Program (RHTP)**

Dear Administrator Oz:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers, and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) urges the Centers for Medicare & Medicaid Services (CMS) to ensure that the Rural Health Transformation Program (RHTP) funding prioritizes payments to hospitals through an efficient and streamlined state application and award process.

Hospitals serve as a critical — and sometimes the sole — source of care for rural communities. One in seven Americans live in rural areas and rely on rural hospitals and health systems for their health and well-being.<sup>1</sup> The importance of these hospitals cannot be overstated, as individuals who live in these communities face greater challenges in accessing health care due to several factors, including geographic isolation, a shortage of health care providers and a lack of affordable coverage options<sup>2</sup>.

The One Big Beautiful Bill Act (OBBBA) includes \$50 billion in funding for rural providers, with \$10 billion allocated each of fiscal years 2026-2030, through the RHTP. States will need to submit a one-time application to CMS to be eligible for these funds. As required by law, the application must include a rural health transformation plan that

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