



COLORADO

Department of Health Care
Policy & Financing

Rural Health Transformation Program - H.R. 1 Section 71401

Updated September 23, 2025

H.R. 1 creates a new Rural Health Transformation Program (RHTP) to provide grants totaling \$50 billion in federal funds from Federal Fiscal Year (FFY) 2026 through FFY 2030 (\$10 billion per year) to states (territories and Washington D.C are excluded). The program will be administered by the Centers for Medicare and Medicaid Services (CMS), and requires each state to submit an application and include a “rural health transformation plan” to the U.S. Department of Health and Human Services (HHS). Awards will be announced no later than December 31, 2025, with funding to states in early 2026. These grants are federal funds only; states will not be required to provide matching funds to draw down these Rural Health Transformation federal funds.

Rural Health Transformation Program Funds

- All 50 states are eligible to apply. The federal funds include \$50 billion that is split into \$10 billion allocations or “pots” to be distributed annually from FFY 2026 to FFY 2030.
- Each year, 50% of the \$10 billion will be distributed “evenly” to all states with an approved application, which is approximately \$100M annually per state (if all 50 apply).
- The remaining 50% of the annual funding amount will be available to at least 25% of approved states considering a number of factors outlined in H.R. 1.
- States are not allowed to use this funding as a source of state match for additional federal dollars.

Work in Progress

- The Department of Health Care Policy and Financing (HCPF) is engaging with internal and external partners (HCPF Subject Matter Experts, the Office of eHealth Innovations (OeHI), Colorado Hospital Association, Colorado Rural Health Center, Rural Futures, Western Healthcare Alliance, Colorado Behavioral Health Council, advocates, and others) on this important opportunity.
- HCPF is researching existing state programs and priorities (Colorado Hospital Transformation Project (HTP), Accountable Care Collaborative III, OeHI Roadmap, and funding priorities identified leading up to the American Rescue Plan Act) to identify opportunities for alignment and efficiency.
- HCPF is developing information on financial status and economic impact analysis through our existing rural hospital financial analysis via House Bill 19-1001 and House Bill 23-1226.
- HCPF is establishing an Advisory Board that will make recommendations for the implementation and execution of the required application as outlined in H.R. 1 Section 71401.
- HCPF will engage with a vendor to create the RHTP grant application.

HCPF Administration

- States may use up to 10% for the state’s administrative costs, but HCPF’s preliminary estimates of administrative costs **will not exceed 2%**.

- H.R. 1 supports a state agency administering this program, and HCPF, as the state's Medicaid agency, will leverage its experience in disbursing funds to rural providers through various grant and financing mechanisms and its federal processes that mitigate federal clawbacks for audit findings or non-compliance with federal requirements.
- HCPF will leverage its current infrastructure to support this program, such as the Rural Support Grants including the HTP Rural Support Fund, Senate Bill 22-200 Rural Access and Affordability Grant, and Senate Bill 24-168 Telehealth Remote Monitoring Grant, as well as our administration of the rural cooperative agreements via Senate Bill 23-298 & Senate Bill 25-078.
- HCPF will leverage its subject matter expertise to design a program and methodology for CMS' review and approval, while mitigating future federal audit findings and funding clawbacks.

Timeline

- The application was released by CMS on September 15th.
- The application submission is due November 5th.
- The H.R. 1 funding decision on the use of funds is subject to the December 31, 2025 cutoff date.
- HCPF is targeting to have a final application ready for submission by Oct. 31, 2025.

Application Must Include

- Rural health transformation plan with goals delineated in H.R. 1
- Strategies to manage long-term financial solvency for rural hospitals
- Identification of specific causes driving the accelerating rate of standalone rural hospitals becoming at risk of closure, conversion, or service reduction
- A plan to use the funds to carry out three or more activities, as defined on pages 3 and 4

Allowed Providers

- Hospitals: Critical Access Hospitals, Sole Community Hospitals, other defined types
- Community health centers: Federally Qualified Health Centers (FQHCs), FQHC look-alikes,¹ and other community health centers receiving Section 330 grants
- Behavioral health providers: community mental health centers, certified community behavioral health clinics, and opioid treatment programs

Colorado's Rural Providers

- Number of rural hospitals in Colorado: 43. Of these, 32 are Critical Access Hospitals with 28 public owned
- FQHCs in Colorado: 21 (approximately 12 are rural)
- Rural health centers in Colorado: 73
- Behavioral health providers in Colorado: 154 clinics (18 community mental health centers)

¹ [Health Center Program Look-Alikes | HRSA](#)

Permitted Activities (at least 3 must be pursued)

Permitted Activities	Program Alignment	Organization Support
1. Promoting consumer-facing, technology-driven solutions for the prevention and management of chronic diseases.	<ul style="list-style-type: none"> • Rural connectivity project • Telehealth remote monitoring grant work (SB24-168) • ACC Phase 3 • Telehealth Remote Monitoring Grant • Hospital Collaborative Agreements (SB23-298 & SB25-078) • Hospital Transformation Program (HTP) 	<ul style="list-style-type: none"> • Rural Health Center • Office of eHealth Innovation (OeHI) • HCPF
2. Recruiting and retaining clinical workforce talent to rural areas, with commitments to serve rural communities for a minimum of 5 years.	<ul style="list-style-type: none"> • Rural Support Fund • Hospital Transformation Program • Hospital Collaborative Agreements (SB23-298 & SB25-078) 	<ul style="list-style-type: none"> • Rural Health Center • CDPHE • HCPF
3. Providing technical assistance, software, and hardware for significant information technology advances designed to improve efficiency, enhance cybersecurity capability development, and improve patient health outcomes.	<ul style="list-style-type: none"> • Colorado Social Health Information Exchange (COSHIE) • Rural Support Fund • Hospital Transformation Program (HTP) • ACC Phase 3 • Hospital Collaborative Agreements (SB23-298 & SB25-078) • Quality Reporting Programs - Payment Reform 	<ul style="list-style-type: none"> • Rural Health Center • Office of eHealth Innovation (OeHI) • HCPF
4. Promoting evidence-based, measurable interventions to improve prevention and chronic disease management.	<ul style="list-style-type: none"> • Community Analytics Platform (CAP) • ACC Phase III • Payment reform Chronic Condition Shared Savings • Hospital Collaborative 	<ul style="list-style-type: none"> • Office of eHealth Innovation (OeHI) • HCPF

Permitted Activities	Program Alignment	Organization Support
	Agreements (SB23-298 & SB25-078) <ul style="list-style-type: none"> ● HTP 	
5. Providing training and technical assistance for the development and adoption of technology-enabled solutions that improve care delivery in rural hospitals, including remote monitoring, robotics, artificial intelligence, and other advanced technologies.	<ul style="list-style-type: none"> ● Telehealth Remote Monitoring Grant ● Hospital Collaborative Agreements (SB23-298 & SB25-078) ● HTP ● Rural Support Fund 	HCPF
6. Assisting rural communities to right size their health care delivery systems by identifying needed preventative, ambulatory, pre-hospital, emergency, acute inpatient care, outpatient care, and post-acute care service lines.	<ul style="list-style-type: none"> ● COSOC ● Hospital Collaborative Agreements (SB23-298 & SB25-078) ● HTP 	ACC HCPF
7. Developing projects that support innovative models of care that include value-based care arrangements and alternative payment models, as appropriate.	<ul style="list-style-type: none"> ● ACC Phase III: physical and behavioral health incentive payment structures ● Prospective Payment Program ● Chronic Condition Shared Savings Program ● Maternity Bundle Program ● COPOD ● Rx Tool APM ● HTP 	ACC HCPF
8. Providing payments to health care providers for the provision of health care items or services, as specified by the Administrator.	TBD	TBD
9. Supporting access to opioid use disorder treatment services, other	<ul style="list-style-type: none"> ● HTP ● ACC Phase III ● Hospital Collaborative 	HCPF ACC

Permitted Activities	Program Alignment	Organization Support
substance use disorder treatment services, and mental health services.	Agreements	
10. NEW – Initiating, fostering, and strengthening local and regional strategic partnerships between rural facilities and other health care providers to promote quality improvement, improve financial stability of rural facilities, and expand access to care.	<ul style="list-style-type: none"> Hospital Collaborative Agreements (SB23-298 & SB25-078) Access Stabilization Payments 	HCPF
11. NEW – Investing in existing rural health care facility buildings and infrastructure, including minor building alterations or renovations and equipment upgrades to ensure long-term overhead and upkeep costs are commensurate with patient volume, subject to restrictions in the funding policies and limitations.	TBD	TBD

The above permitted activities will support five RHTP goals as presented by CMS:

- Make rural America healthy again
- Sustainable access
- Workforce development
- Innovative care
- Tech innovation

References

- [A Closer Look at the \\$50 Billion Rural Health Fund in the New Reconciliation Law | KFF](#)
- [Colorado Rural Health Transformation Program](#)

HCPF Point of Contact

- Please reach out to our State inbox: HCPF_RHTP@state.co.us