

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

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, 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 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 Rural 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

- Application form and deadline have not been announced, but will be before the end of 2025.
 - In H.R. 1, both the application and the funding decision on the use of funds are subject to the December 31, 2025, cutoff date; application submission may be due sooner.
 - CMS indicates it plans to release the application in September 2025.
- 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 page 3

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 • ACC Phase 3 	<ul style="list-style-type: none"> • Rural Health Center • Office of eHealth Innovation (OeHI)
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 	<ul style="list-style-type: none"> • Rural Health Center
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 	<ul style="list-style-type: none"> • Rural Health Center • Office of eHealth Innovation (OeHI)
4. Promoting evidence-based, measurable interventions to improve prevention and chronic disease management.	<ul style="list-style-type: none"> • Community Analytics Platform (CAP) 	<ul style="list-style-type: none"> • Office of eHealth Innovation (OeHI)
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.	TBD	TBD
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.	TBD	TBD

Permitted Activities	Program Alignment	Organization Support
7. Developing projects that support innovative models of care that include value-based care arrangements and alternative payment models, as appropriate.	TBD	TBD
8. Providing payments to health care providers for the provision of health care items or services, as specified by the Administrator.	TBD	TBD
9. Additional uses designed to promote sustainable access to high quality rural health care services, as determined by the Administrator.	TBD	TBD
10. Supporting access to opioid use disorder treatment services, other substance use disorder treatment services, and mental health services.	TBD	TBD

References

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

HCPF Points of Contact

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