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Transforming Rural Health Access and Financing

MONTH 2026

The Question Every Health System Is Asking

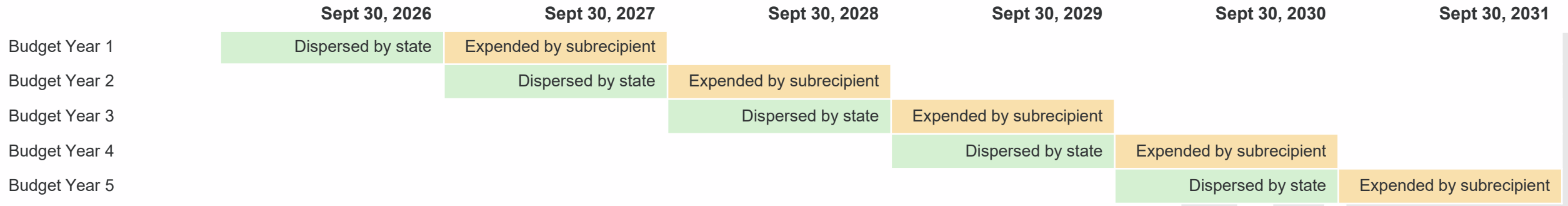
RHTP is the largest rural health investment in a generation, but the window to act is narrow and the rules are strict.

$50B
Total Federal Funding

$10B /yr
Annual Distribution (FY2026-2030)

50
States Awarded in Year One

- $50 billion authorized under the One Big Beautiful Bill Act (OBBBA), signed July 4, 2025, administered by CMS
- $10 billion distributed annually from FY2026 through FY2030; all 50 states received first-year awards on December 29, 2025
- All funds must be expended or returned to the U.S. Treasury by October 1, 2032
- States must obligate and deploy a substantial portion of first-year funding by October 30, 2026

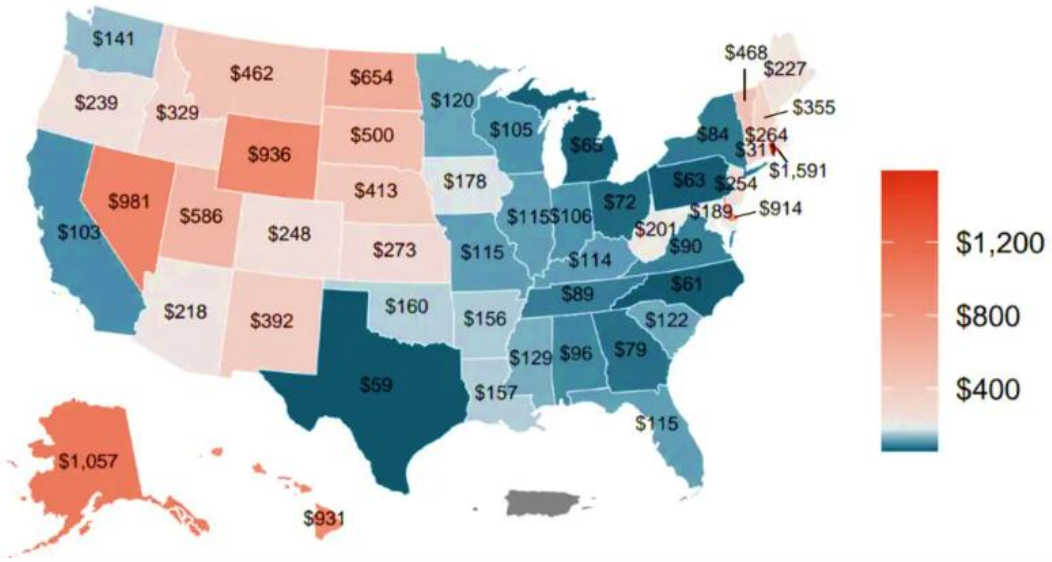


RHTP National Positioning

Every state has been awarded, but the distribution formula means vastly different funding realities across states.

50% distributed equally ($100M/state/year); 50% at CMS discretion based on rural population, facility counts, and policy actions [4]

- First-year awards average $200M, ranging from $147M (New Jersey) to $281M (Texas)
- Texas, Alaska, and California received the largest total awards; New Jersey, Connecticut, and Rhode Island received the smallest
- States will be re-scored annually; discretionary allocation can shift based on progress and policy alignment



Per-Capita Funding Gap

$6,305
Rhode Island

VS

$66
Texas

Source: From Planning to Action: Tracking Which State Agencie...

First-Year Award Range

Category	States	Award
Largest	TX, AK, CA	Up to $281M
Average	All 50 states	$200M
Smallest	NJ, CT, RI	From $147M

Sources:

CMS Announces $50 Billion in Awards to Strengthen Rur...

First-Year Rural Health Fund Awards Range From Less T...

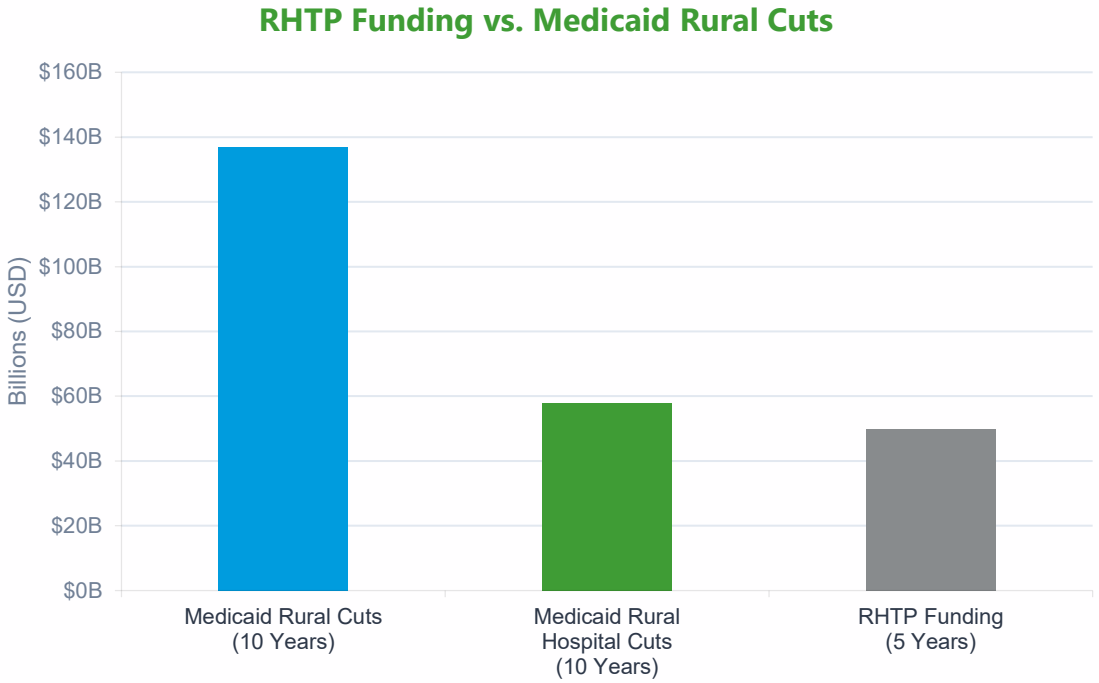
The Goal of RHTP — Transformation, Not Preservation

CMS and HHS are explicit - RHTP is designed to transform rural healthcare delivery systems, not to sustain the status quo or replace lost revenue.

- CMS language is deliberate: "long-term sustainability," "innovative care models," and "accountability" appear repeatedly
- Five CMS strategic goals: Make Rural America Healthy Again, Sustainable Access, Workforce Development, Innovative Care, and Technology Innovation
- Funding is meant to impact access for rural residents - urban providers serving rural populations are also eligible
- Where distribution to hospitals occurs, there will be an expected re-engineering of how they operate and address regional needs
- States and the federal government are mindful that prior transformation efforts (CMMI) delivered minimal durable results - CMS does not want a repeat

The Math Doesn't Math

RHTP cannot, and is not meant to, backfill Medicaid funding changes that reduce state budgets and provider revenue.



- Estimated **$137B** in federal Medicaid spending cuts to rural areas over 10 years
- Estimated **$58B** reduction to rural hospitals alone over a decade
- RHTP provides **$50B over 5 years** - roughly 37% of the estimated rural Medicaid loss
- RHTP is time-limited (5 years); Medicaid cuts are permanent and structural
- At 15% provider payment cap, a $200M state award yields only **$30M** for direct provider payments statewide

Sources:

A Closer Look at the $50 Billion Rural Health Fund in...

Rural Health Fund Falls Short of Estimated Medicaid Cuts

Statutory Spending Caps

Provider Payments	Capital	Admin	Technology
15%	20%	10%	10%

Common Themes Across State Initiatives

Despite different state contexts, five recurring initiative themes have emerged nationally -- these reflect both CMS priorities and where the funding will flow.

Workforce Development

Nearly every state prioritizes clinician recruitment, pipeline programs, and retention incentives

Telehealth and Technology

Data interoperability, cybersecurity, EHR upgrades, and remote care expansion are universal priorities

Maternal and Behavioral Health

Multiple states emphasize maternity care deserts and behavioral health integration

Regional Care Models

States are proposing regional networks, ambulatory care hubs, and cross-provider coordination rather than standalone facility investments

Chronic Disease Prevention

Food-as-medicine, nutrition programs, and evidence-based chronic disease interventions align with CMS "Make Rural America Healthy Again" goals

Common Themes of Compliance Risk

The compressed timeline and scale of RHTP create predictable compliance failure points that states and subrecipients must address proactively — or face clawbacks.

Procurement Risk

Rapid deployment incentivizes shortcuts: sole-source justifications and incomplete procurement documentation are common early-stage failures

High Risk

Supplanting Prohibition

Funds cannot replace existing state funding; any perception of backfilling Medicaid cuts creates immediate federal scrutiny

High Risk

Spending Cap Violations

Awareness of spending caps and how they aggregate is not well understood

High Risk

Subrecipient Monitoring Gaps

States distributing funds to diverse provider types face risk of inconsistent oversight, especially for smaller rural providers

Medium Risk

Annual Re-scoring Exposure

CMS will recalculate discretionary allocations annually; states failing to meet commitments risk losing previously awarded funds

Medium Risk

Delayed Compliance Consequences

Early-stage compliance gaps surface during audit phases, resulting in questioned costs, disallowed expenses, and potential fund recovery

Medium Risk

The Clawback Reality

Unlike traditional grant programs, RHTP includes explicit annual recalculation and clawback provisions that create a cascade of uncertainty for states and downstream providers.

December 2025
Awards Issued

Oct 2026
Obligate Y1 Funds or Lapse

End 2027
Policy Commitments Due

Annual
Re-scoring and Reallocation

Oct 2032
Expend or Return to Treasury

- CMS will conduct annual recalculation of state scores based on reporting, milestones, and policy commitments
- States must fulfill most policy commitments by end of 2027 or risk clawback of previously awarded funds based on regulatory commitments
- Quarterly and annual progress reports are required demonstrating measurable outcomes - these directly impact future funding allocations
- States face competing pressures: obligate funds quickly to avoid lapse, but spend defensibly to avoid audit findings
- For hospitals and health systems: if your state loses funding or faces audit findings, your downstream subgrant could be affected - even if your own compliance is clean

Key Considerations for Hospitals — Strategic Positioning

Hospitals must position themselves as transformation partners, not just fund recipients and CMS is watching for innovation, collaboration, and sustainability.

- **Know your state's application:** Understand the specific initiatives your state proposed and how your capabilities align with those priorities
- **Think regionally, not institutionally:** States are favoring regional care models, shared services, and cross-provider networks over standalone hospital funding requests
- **Demonstrate transformation readiness:** Proposals that show re-engineering of care delivery models, not just capital requests, will be prioritized
- **Engage early with your state agency:** States at early stages represent the best window for hospitals to shape program design
- **Urban systems serving rural populations are eligible:** This expands opportunity but also increases competition for limited funds

Key Considerations — Compliance Readiness

Compliance is not a back-office function for RHTP — it must be embedded in strategy and operations from day one to protect against downstream audit exposure.

Step 1
Procurement Documentation

Build documentation from the start: every vendor selection, equipment purchase, and subcontract must withstand 2 CFR 200 scrutiny

Step 2
Cost Allocation & Tracking

Establish separate tracking of RHTP funds from operating budgets to demonstrate non-supplanting

Step 3
Audit-Ready Reporting

Quarterly progress reports, outcome metrics, and financial documentation must be submission-ready continuously

Step 4
Initiative-Level Risk Assessment

Different initiatives carry different risk profiles: workforce programs vs. capital projects vs. technology investments require tailored monitoring

Step 5
Sustainability Planning

Plan for sustainability from the beginning and CMS expects realistic pathways that do not rely on indefinite grant funding

Key Considerations — Operational Planning

Hospitals that underestimate the administrative burden of RHTP will either miss opportunities or create compliance exposure.

- **Staff capacity:** Most rural hospitals operate lean; RHTP requires dedicated grant management, compliance, and reporting resources
- **Timeline pressure:** Budget Period 1 began December 31, 2025, with subsequent periods beginning October 31…limited margin for error
- **Technology readiness:** Many initiatives require interoperability upgrades, data pipelines, and cybersecurity investments before clinical programs can launch
- **Change management:** CMS expects durable transformation and hospitals must invest in organizational change management to sustain reforms post-funding
- **Independence considerations:** Organizations working with advisory firms on both state-side and provider-side RHTP work need conflict and independence assessments

Elizabeth Matney

Medicaid Leader

RSM US LLP

515.2377406

Liz.Matney@rsmus.com

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