



# UNITED STATES SENATE COMMITTEE ON FINANCE

## WORKING FAMILIES TAX CUTS

### RURAL HEALTH TRANSFORMATION PROGRAM

Through the Rural Health Transformation Program (RHTP), the Working Families Tax Cuts (WFTC) make the **single largest investment in rural health care** since the Medicare Modernization Act of 2003.

#### *Key Points*

- The Rural Health Transformation Program (RHTP) supplies \$50 billion to stabilize and strengthen rural hospitals and providers.
- Fifty percent of the \$50 billion funding allocation will be divided equally among states that submit an application to the Centers for Medicare & Medicaid Services (CMS).
- The remaining 50 percent will be distributed to states based on a formula developed by the CMS Administrator. The law requires the CMS Administrator to consider a state's rural population, proportion of health care facilities in rural areas and situation of hospitals that serve a high proportion of low-income patients.
- Assuming all 50 states apply and are approved, each state will receive at least \$100 million per year for five years.
- Because rural hospitals and providers face vulnerabilities that are multifaceted and unique, the RHTP allows the states—who know the issues in their communities better than the federal government—to work with providers to determine the best use of funds. This will give rural hospitals the tools to stabilize their finances in the short term and offer states the opportunity to create a long-term plan.

#### *Background*

Rural providers faced fiscal challenges that pre-date any changes made under the WFTC. For example, rural hospitals have low patient volumes that make it difficult to maintain fixed operating costs. Regulatory burden and low patient volumes result in higher compliance costs for rural hospitals compared to their urban counterparts. While small rural hospitals are more heavily dependent on inpatient volume as a part of their total revenue, the U.S. health care system continues to experience a steady shift away from inpatient care to outpatient services.

Unfortunately, since 2005, approximately 112 rural hospitals have closed. The federal government has implemented numerous special reimbursement programs, many within the Medicare program, to support rural hospitals and rural providers. The WFTC do not alter any of these programs or payment enhancements.

However, the WFTC do make reforms to prevent states from exploiting sources of federal Medicaid revenue. The reforms require states to refocus their Medicaid programs on the truly vulnerable patients for which the program was intended.

The RHTP is designed to help all rural hospitals, not just those in states that have been gaming the system. But for the states that need help re-focusing their Medicaid programs, the RHTP can serve as a bridge to shore up rural hospitals and prevent gaps in care.

## ***Program Details***

The **RHTP** appropriates a total of \$50 billion from fiscal year (FY) 2026 through FY 2030 to the 50 states. Under the program, a state would be required to submit an application to the CMS Administrator to receive federal funding to carry out specified activities. A state would only need to apply once to be approved for the entirety of the program's duration.

**The rural health transformation plan must describe how the state would use funds from the program to:**

- Improve access to hospitals, other health care providers, and health care items and services furnished to rural residents of the state;
- Improve health care outcomes of rural residents of the state;
- Prioritize the use of new and emerging technologies that emphasize prevention and chronic disease management;
- Initiate, foster and strengthen local and regional strategic partnerships between rural hospitals and other health care providers to promote measurable quality improvement, increase financial stability, maximize economies of scale, and share best practices in care delivery;
- Enhance economic opportunity for, and the supply of, health care clinicians through enhanced recruitment and training;
- Prioritize data and technology driven solutions that help rural hospitals and other rural health care providers furnish high-quality health care services as close to a patient's home as is possible;
- Outline strategies to manage long-term financial solvency and operating models of rural hospitals in the state; and
- Identify specific causes driving the accelerating rate of stand-alone rural hospitals at risk of closure, conversion or service reduction.

Annual allotments distributed to states would remain available for use through the end of the second succeeding FY. Beginning in 2028, amounts allotted but unused would be redistributed in accordance with a methodology specified by the CMS Administrator. Redistributed amounts would remain available for use by the state through the end of the second succeeding fiscal year. States would not be required to match awarded allotments.

**Funds could only be used for allowable activities, such as:**

- Promoting evidence-based, measurable interventions to improve prevention and chronic disease management;
- Providing payments to health care providers for the provision of health care items or services, as specified by the Administrator;
- Promoting consumer-facing, technology-driven solutions for the prevention and management of chronic diseases;
- 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;
- Recruiting and retaining clinical workforce talent to rural areas, with commitments to serve rural communities for a minimum of 5 years;
- Providing technical assistance, software, and hardware for significant information technology advances designed to improve efficiency, enhance cybersecurity capability development and improve patient health outcomes;
- 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;
- Supporting access to opioid use disorder treatment services, other substance use disorder treatment services, and mental health services;
- Developing projects that support innovative models of care that include value-based care arrangements and alternative payment models, as appropriate; and
- Additional uses designed to promote sustainable access to high quality rural health care services, as determined by the Administrator.