



MEMORANDUM

To: Client Hospitals and Health Systems

Date: July 15, 2025

Subject: Rural Health Funding Opportunity – Section 71401 of H.R. 1 ("One Big Beautiful Bill Act")

Overview

On July 4, 2025, The President signed into law the *One Big Beautiful Bill Act* (H.R. 1), which includes a major rural health investment in Section 71401 (click [here](#)). This provision establishes the **Rural Health Transformation Program**, allocating **\$50 billion in federal funding** for rural health system improvement between **FY2026 and FY2030**. States have a **one-time opportunity** to apply for funding through CMS by **December 31, 2025**.

This memo outlines the core components of the program, including opportunities for eligible providers and recommended action steps for positioning within your state's rural health transformation strategy.

Funding Structure

- **Total allocation:** \$50 billion over five years (FY2026–2030)
- **Distribution:**
 - \$25 billion divided equally among all states (HHS has not yet clarified its definition of “equally”, i.e. by population, by number of states, by Medicaid population, etc...)
 - \$25 billion allocated at the discretion of the CMS Administrator, based on state-submitted transformation plans
- **Restrictions:**
 - Matching funds are **prohibited**
 - States may use **no more than 10%** for administrative expenses

State Application Requirements

States must submit a **Rural Health Transformation Plan** to CMS by **December 31, 2025**, addressing **at least three** of the following goals:

- Improve access to hospitals and rural providers
- Improve rural health outcomes
- Utilize technology to prevent and manage chronic diseases
- Strengthen local/regional provider partnerships for financial and clinical stability

- Enhance rural workforce recruitment, training, and retention
- Leverage data and technology to deliver care close to patients' homes
- Develop long-term financial solvency and rural hospital operating models
- Identify and address key drivers of rural hospital closures or service cuts
- Certify compliance with federal use restrictions (e.g., no intergovernmental transfers)

Eligible Facilities

Hospitals and health care organizations in the following categories may be eligible for funding and support under state-directed plans:

- Critical Access Hospitals (CAHs)
- Rural Emergency Hospitals (REHs)
- Rural Health Clinics (RHCs)
- Federally Qualified Health Centers (FQHCs)
- Community Mental Health Centers (CMHCs)
- Sole Community Hospitals
- Medicare Dependent Hospitals
- Small rural and low-volume hospitals
- Mental health and substance use providers in rural census tracts of metropolitan statistical areas

Permissible Uses of Funds

States may direct funding to:

- Evidence-based prevention and chronic disease management initiatives
- Payments to providers as authorized by CMS
- Adoption of advanced technologies (e.g., telehealth, AI, remote monitoring)
- Five-year workforce recruitment and retention commitments
- IT modernization including software, hardware, and cybersecurity upgrades
- Community health planning and service line assessments
- Opioid and substance use disorder treatment
- Development of value-based and alternative payment models

Next Steps

We strongly encourage your leadership team to engage proactively with your state health agency and your state hospital association to:

1. **Advocate** for inclusion in the state's rural health transformation plan.
2. **Identify** how your organization aligns with eligible facility types and funding use cases.
3. **Prepare supporting materials** that demonstrate your need, readiness, and rural impact.
4. **Coordinate regionally** with other rural health providers to strengthen collective proposals.