

Trump Administration Shifts Messaging On OBBB Rural Fund

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The Trump administration is now touting the GOP megabill's \$50 billion rural health fund as an investment to transform the hospital workforce in part by boosting digital technology and telehealth rather than the more straight-up fix GOP lawmakers touted during the reconciliation negotiations to help rural providers make up for the legislation's near \$1 trillion in Medicaid cuts.

The shift in messaging has both rural providers and key congressional Democrats worried states could use the money for wearables and health technology not directly linked to keeping rural hospitals afloat -- coming as CMS is just weeks away from opening applications for states with a year-end deadline to decide which to approve.

CMS Administrator Mehmet Oz said Sunday (Aug. 3) on Face the Nation the rural fund is designed to help with "workforce development, right-sizing the system and using technology to provide things like telehealth that can change the world."

"Imagine if we can change the way we think about the delivery of health and make it more about getting people healthy who can thrive and flourish and be fully present in their own lives and as Americans," Oz said.

Oz sent a similar message when announcing the administration's new digital health plan last week, and sources say he relayed similar intent in private talks with rural hospitals.

Last week Oz pointed to both the OBBB's \$50 billion rural fund and its \$200 million in CMS implementation funding, saying "some of that money will be used to support digital infrastructure, which is terribly lacking in many parts of the country."

But when lawmakers were voting on the reconciliation package, congressional GOP leaders touted the rural fund as a bandaid for struggling rural hospitals facing the bill's

enormous Medicaid cuts. When the dust settled, the actual language and messaging surrounding the fund painted a larger rural health transformation picture -- a shift quickly picked up on by top Senate Democrats in a letter demanding Oz brief them by Aug. 15 on how the money will be distributed.

Senate Minority Leader Charles Schumer (D-NY) and Senate Finance ranking Democrat Ron Wyden (OR) wrote to Oz the fund was drafted in such a “vague and open-ended manner” that the money is not guaranteed to support rural health providers.

In fact, states can use funds to “pay any health care providers, support technology-driven efforts like wearable devices, or fund unproven models of care that have nothing to do with rural health,” they wrote.

And they ticked off numerous other problems with the provision, including that “there are no parameters outlined in the legislative language for how CMS should award, distribute, or rescind funding from the rural health slush fund, making it even more susceptible to abuse.”

In addition to publicly calling the \$50 billion fund created under the One Big Beautiful Bill the largest ever investment in rural health, CMS told *Inside Health Policy* on July 31 the fund “represents a generational investment in the sustainability of rural health infrastructure and outcomes.”

And Oz said last week some of the money from the fund will be used to support rural infrastructure, emphasizing the fund as a boost to rural health.

“The money that’s sent from Washington doesn’t get sent to rural America,” Oz said. “About 7% of Medicaid dollars get to rural hospitals. We now have the ability to infuse funds through this \$50 billion rural health transformation fund into that system.”

The Trump administration has continued this messaging in private talks with providers, a couple sources who have met with the administration told *IHP*.

However, this differs from how lawmakers spoke about the fund during the reconciliation process. During the heated talks leading up to the bill’s passage, on June 24, Sen. Jim Justice (R-WV) told *IHP* he saw the fund as a fix to provider tax reductions that ultimately ended up in the final text of the bill.

“Right now, with the possibility of the cut in the provider tax ... that could really hurt our rural hospitals,” Justice said during Senate deliberations on the bill. “We’ve got to come back with something else, and maybe the fund is the answer.”

Sen. Thom Tillis (R-NC) echoed this sentiment.

“The whole purpose of that fund is to take a look at the consequences of some of the cuts,” Tillis told *IHP* June 24.

And Sen. Josh Hawley (R-MO) said he wanted leadership to “fix” what he called a “rural hospital problem” in the bill in a conversation with *IHP* that same day.

The Senate Democrats allege in their recent missive to Oz that the “rural health slush fund” was created to cover up the damage to come from the OBBB.

“However, this temporary fund only accounts for 5 percent of the cuts, which will have devastating irreversible impacts,” they wrote. They worry the fund could be politically distributed and call for accountability from CMS.

The legislation requires half of the \$50 billion to be evenly distributed among the states with approved applications and the rest will be allocated at the discretion of the CMS administrator, who will set various metrics according to statutory criteria, including the size of a state’s rural population, the number of rural health facilities and the financial condition of hospitals.

Schumer and Wyden also asked for a staff-level briefing on the fund and demanded a response to their letter by Aug. 15.