Commonwealth Fund: RHTP Too Small To Offset Massive Medicaid Cuts

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The $50 billion Rural Health Transformation Program (RHTP) that was established under the GOP's One Big Beautiful Bill Act (OBBBA) is too small to offset the nearly trillion-dollar Medicaid cuts included in the law, according to a new Commonwealth Fund analysis that projects deep net economic losses and a massive decrease in health care jobs nationwide despite the rural health funding.

The June 9 report comes as CMS continues rolling out the five-year grant program to states. The agency announced the first round of state awards late last year and has since highlighted eight states' plans to use the funding to expand telehealth, remote patient monitoring, artificial intelligence and electronic health records, while also issuing guidance outlining how states can spend the funds and modify their approved initiatives.

The Trump administration has repeatedly touted the RHTP as a historic investment in rural health, arguing the new funding will help rural hospitals and providers modernize care delivery and improve access in underserved communities. That said, this report joins a swath of similar critiques that the money was only added to help pass the bill and will do little to mitigate the long-term consequences of the health care cuts.

While the Commonwealth Fund does believe the RHTP will provide meaningful investments to strengthen rural health systems over five years, the organization ultimately concluded those gains will be eclipsed by the much larger cuts to Medicaid, Affordable Care Act (ACA) marketplace funding and the Supplemental Nutrition Assistance Program (SNAP).

The authors project those combined cuts in the GOP’s controversial 2025 reconciliation bill will reduce state economic activity by nearly $197 billion, reduce state and local tax revenues by more than $14 billion, and eliminate approximately 1.65 million jobs nationwide by 2029, with nearly half of those projected job losses notably occurring in the health care sector.

"The Rural Health Transformation Program provides five years of federal funding to help states improve health care access and quality in rural areas, but the net result is deep reductions in health and nutrition

funding," the authors wrote. “H.R. 1 is expected to cause more than 10 million Americans to lose their health insurance due to the ACA and Medicaid reductions, 3 million people to lose food assistance because of SNAP cutbacks, and a potential 51,000 preventable deaths due to Medicaid cuts.”

The analysis does point out benefits of the RHTP, saying the $10 billion distributed in 2026 alone will increase state gross domestic product by an estimated $13.8 billion and support roughly 110,100 jobs, including approximately 51,600 health care jobs.

Though, the authors found that those gains will be concentrated in smaller, more rural states.

Still, those benefits will be more than offset by the expiration of the ACA’s enhanced premium tax credits and other OBBB marketplace reforms, the authors contend, projecting these changes will reduce federal ACA marketplace funding by approximately $31 billion in 2026 and eliminate roughly 339,100 jobs nationwide. Combined with the rural health funding, the report projects a net loss of approximately 229,000 jobs during the first year of implementation.

By 2029, the authors estimate Medicaid funding will decline by approximately $90.9 billion, ACA marketplace funding by more than $57 billion, and SNAP funding by roughly $21.8 billion, resulting in combined federal funding reductions of about $160 billion.

Those reductions are projected to shrink state GDP by nearly $197 billion, eliminate approximately 1.65 million jobs nationwide, and reduce state and local tax revenues by more than $14 billion.

The Medicaid provisions alone are notably expected to eliminate roughly 996,000 jobs by 2029, about half of which would be in the health care sector, including hospitals, physician practices, pharmacies and nursing homes, according to the authors.

Furthermore, the report says states that expanded Medicaid under the ACA are projected to experience particularly large losses because OBBBA’s Medicaid work requirements, enrollment restrictions and increased cost-sharing requirements primarily target the expansion population.

Notably, the Commonwealth Fund authors specifically call out the Medicaid work requirements in the report, saying the policy will “do little to increase employment because they fail to address underlying reasons for unemployment.”

“Moreover, by reducing the number of jobs in low-income communities, the new law could make it even harder for people to find jobs,” the authors of the report wrote.

Americans having trouble finding jobs isn't the only non-health care related challenge the authors expect because of the bill’s passage. According to the report, the economic losses will extend far beyond health care. Lower Medicaid payments reduce revenue for hospitals and clinics, which then spend less on employees, supplies and other businesses, while SNAP reductions similarly decrease spending at grocery stores and other retailers, the authors write.

“The economic repercussions of jobs lost in other areas, including grocery stores and food-related industries, will likely ripple to sectors such as retail, real estate, and construction across the nation,” they say. “Federal funding and tax revenue losses will likely force states to make further cuts to assistance programs and other public services like education. Though not directly required by H.R. 1, states could be forced to scale back programs such as home and community-based services for disabled and elderly populations.”

Still, despite how much of a bombshell the report is, the authors say this is a “conservative estimate.”

“The loss of health and nutrition benefits could impair health or mental well-being, leading to additional losses in productivity or higher health care costs,” the report authors wrote. “Our analyses do not account for these other health and social costs; they are based entirely on the economic repercussions of federal funding reductions on state economies and employment.”

The implementation of the RHTP has also drawn bipartisan scrutiny on Capitol Hill. Sens. Michael Bennet (D-CO) and Susan Collins (R-ME) led a bipartisan group of senators on Thursday (June 18) urging CMS to provide states with greater flexibility to implement the RHTP. They argue the agency's current guidance could unintentionally disadvantage smaller rural hospitals and clinics that lack the administrative resources to compete for funding.

“In many instances, rural providers gain institutional support from larger systems to which they belong but still face the challenging economic realities of serving a rural population. In other instances, rural providers are completely independent and must face these challenges on their own,” the lawmakers wrote in the letter. “It is crucial that the RHTP be implemented to support providers caring for rural populations regardless of setting. Without clear protection and targeted support, there is a real risk that funding may not reach the frontline rural providers that communities depend upon most.”

The lawmakers called on CMS to prioritize direct support for rural providers, allow states greater flexibility to use the funding to increase reimbursement and offset uncompensated care costs, expand allowable investments in electronic health records and health information technology, and ensure smaller and independent rural providers have meaningful access to the program's funding opportunities.

The Federation of American Hospitals (FAH) has also urged CMS to adopt standardized reporting requirements to improve transparency and oversight of the program's $50 billion investment. -- *Jalen Brown* (jbrown@iwpnews.com)