

Kentucky Rural Health Transformation Program
Report to the Medicaid Oversight and Advisory Board
August 27, 2025

Background

The Rural Health Transformation Program (RHTP), established under H.R. 1 and administered by the Centers for Medicare & Medicaid Services (CMS), is intended to strengthen rural health care systems and modernize services. CMS will distribute \$50 billion nationally between Fiscal Years (FY) 2026–2030.

Key funding parameters:

- \$25 billion distributed equally among approved states (\$5 billion annually).
- \$25 billion allocated among approved states based on rural metrics, including:
 - Percentage of population in rural areas.
 - Number and condition of rural health facilities (Kentucky has 422 rural health clinics —second only to Texas).
 - Other rural health needs determined by CMS.
- States may use allocations until the end of the following fiscal year.
- No funds may be used to meet the non-federal share of Medicaid or the Kentucky Children’s Health Insurance Program.
- Territories and Washington, D.C. are ineligible; no state matching funds required.

CMS will approve or deny state applications by December 31, 2025. Approved states will receive annual allotments for FY 2026–2030. CMS has not yet provided additional details regarding application requirements or submission date.

Program Objectives

- Improve access to hospitals or other health care providers and services for rural residents;
- Improve health care outcomes of rural residents;
- Prioritize the use of new and emerging technologies, emphasizing the prevention and management of chronic disease;
- Initiate and strengthen local and regional strategic partnerships between rural hospitals and other health care providers to promote quality improvement, financial stability and share best practices;
- Enhance economic opportunity and supply of health care providers through enhanced recruitment and training;
- Prioritize data and technology-driven solutions that help rural hospitals and providers deliver high-quality services, as close to a patient’s home;

- Outline strategies to manage long-term financial solvency and operating models of rural hospitals; and
 - Identify causes driving the accelerating rate of stand-alone rural hospitals becoming at risk of closure, service reduction or conversion.
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Application Requirements

Each state must submit a comprehensive Rural Health Transformation Plan from the Governor's Office, detailing strategies addressing at least three of the following:

- 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; or
- Additional uses designed to promote sustainable access to high quality rural health care services, as determined by the Administrator.

Administrative costs are capped at 10% of funds received.

National Coordination

- The National Association of Medicaid Directors (NAMD), National Governors Association (NGA), National Association of Health Policy (NAHP), and CMS are collaborating on program communications and coordination.
- The Centers for Medicare & Medicaid Innovation will coordinate project oversight.

Cabinet Activities to Date

- July 29, 2025: Issued letter to stakeholders requesting input on Kentucky's Rural Health Transformation priorities (responses due by August 31, 2025).
- August 14, 2025: Participated in the Kentucky Rural Health Clinic Summit and participated in a listening session on rural health transformation.
- August 26, 2025: Attended CMS webinar on the RHTP.

Next Steps

- Continue stakeholder engagement and review feedback submissions.
- Monitor CMS guidance and application release (expected September 2025).
- Coordinate with the Governor's Office to develop and submit Kentucky's application by the defined deadline.

Timeline (subject to change)

- August 31, 2025 – Submission deadline for stakeholder response to request for information
- August 22, 2025 – H.R.1 implementation assistance vendor selected from competitive bid
- August 26, 2025 – CMS webinar on Rural Health Transformation Program
- September 2025 (expected) – CMS guidance and application release
- September & October – Application Development
- November – Application review and finalization
- November 15, 2025 – Application submission to CMS