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## H.R. 1 Rural Health Transformation Program

### Overview

On July 4, 2025, President Trump signed into law the reconciliation bill, officially known as H.R. 1. One of the earliest high-impact provisions is the Rural Health Transformation Program (“Program”), a \$50 billion fund which Congress added just prior to passage to help mitigate some of the legislation’s expected funding reductions to Medicaid. H.R. 1 provides for a one-time application process with decisions from the Centers for Medicare & Medicaid Services (CMS) permitted no later than December 31, 2025, so states will need to act quickly if they decide to pursue an application.

### Key Points to Consider

As part of the recent legislation, the Rural Health Transformation Program offers a significant opportunity for states to access federal funding aimed at strengthening rural healthcare. Here are some critical points to keep in mind as you evaluate this Program:

- **One-Time Application:** This is a unique, one-time opportunity to secure funding. If your state does not apply, or if CMS denies the application, eligibility for future funding from this Program will be lost.
- **Preparation and Data Requirements:** The application process will require states to develop a comprehensive “detailed rural health transformation plan”. While CMS has not yet released specific guidance, the agency must make final decisions on applications by December 31, 2025. This means states will need to act quickly to gather the necessary information and strategize effectively.
- **Funding Timeline and Usage:** Funding will begin in federal fiscal year 2026, with \$10 billion allocated annually through 2030. States will have an additional year after each award to spend the funds, emphasizing the importance of selecting investment areas that are ready for immediate implementation.
- **Additional CMS Guidance:** States should anticipate forthcoming CMS guidance that will clarify application processes, allowable funding categories, and ongoing reporting obligations.

## Application Requirements

Unless CMS introduces additional requirements, the primary component of your state's application for Program funding will be a “detailed rural health transformation plan.” This plan should include key strategies focused on improving rural healthcare, such as:

- Enhancing access to healthcare services, fostering partnerships among providers, supporting the financial stability of healthcare providers, and improving health outcomes.
- Leveraging technology to support prevention efforts and manage chronic diseases.
- Addressing challenges related to the healthcare workforce in rural areas.

## Next Steps for State Medicaid Programs

Under H.R. 1, states will be required to submit a comprehensive spending plan to CMS that addresses at least three specific areas. Examples of these focus areas include:

- Providing direct funding assistance to healthcare providers.
- Promoting evidence-based interventions, leveraging technology, and offering training to improve health outcomes.
- Implementing workforce recruitment Programs with service commitments of five years.
- “Right-sizing” rural healthcare delivery systems through strategic resource planning.
- Supporting substance use disorder treatment services.
- Developing value-based and alternative payment models.
- Addressing other topics as determined by CMS.

## How Mercer Can Help

Mercer is well-equipped to support your state in developing a strong rural health transformation plan, especially given the limited time available. Many states already have existing plans, resources, and data that can be leveraged for this process. Potential ways Mercer can assist include:

- Synthesizing your state’s current strategic plans to identify gaps and ensure alignment with the requirements of H.R. 1.
- Analyzing claims data and other financial information to help build a compelling case for maximizing Program funding.
- Providing direct support in narrative development, decision-making, and other critical aspects of the application process.

## Conclusion

While the Rural Health Transformation Program presents a significant opportunity for states to access federal funding, success will depend on strategic planning, timely data collection, and a clear understanding of CMS's evolving requirements. Mercer is committed to supporting your efforts through expert analysis, resource synthesis, and application assistance to help you navigate this complex process. As CMS's implementation details become clearer, we will continue to provide guidance to ensure your state is well-positioned to maximize this opportunity.

## Caveats and Limitations

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## For More Information

Please contact [Charlie Greenberg](#), [Eric Harkness](#), or your Mercer consultant to discuss the potential impact your specific state Program. You may also email us at: [mercergovernment@mercerc.com](mailto:mercergovernment@mercerc.com).

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