National Rural Health Association

# Rural Hospitals: Policy and Infrastructure Opportunities in the Rural Health Transformation Program

Rural hospitals function as the backbone of health care access, local economic vitality, and community emergency response. Over time, the operating environment for these facilities has become increasingly precarious. Persistent financial strain, chronic workforce shortages, and escalating levels of uncompensated care have pushed many rural hospitals to the edge of sustainability. As federal leaders advance major shifts in Medicaid financing and roll out new rural health initiatives, rural hospitals find themselves at a pivotal moment marked by significant vulnerability but also meaningful opportunity.

The challenges confronting rural hospitals are complex. Many facilities face declining inpatient volumes while still carrying high fixed costs that must be spread across small patient bases. Rural hospitals often rely heavily on Medicare and Medicaid, which reimburse at lower rates than commercial insurance. Labor and supply expenses continue to rise, and uncompensated care has grown substantially, eroding already thin margins. At the same time, rural hospitals must contend with aging buildings, outdated electronic health systems, shortages of clinical and administrative staff, and patient populations with higher burdens of chronic illness and socioeconomic hardship. These structural pressures compound one another, leaving many facilities struggling to remain viable.

Since 2010, 208 rural hospitals have either closed or converted to new care models, including conversion to the Rural Emergency Hospital (REH) designation that eliminate inpatient beds.[1] Financial distress also drives hospitals to discontinue specific high-cost services. Service line contraction has become widespread with more than 300 rural hospitals having closed obstetric units and over 300 eliminating general surgery during this period.[2]

**Figure 1 Rural Hospital Closures or REH Conversions since 2010**[7]

## Overview of RHTP Investments in Rural Hospitals

Federal officials have increasingly acknowledged the fragility of rural hospital infrastructure. The most significant new federal investment is the $50 billion Rural Health Transformation Program (RHTP), created under HR 1 and administered by the US Department of Health and Human Services Centers for Medicare and Medicaid System (CMS). For 2026-2030, RHTP will distribute $10 billion annually to every state, offering an unprecedented opportunity to strengthen rural health systems.

Across the country, state RHTP plans place substantial emphasis on reinforcing rural hospital stability through structural modernization, regional collaboration, and updated financial models. Activities range from immediate financial stabilization and technical assistance to long-term

[1] UNC Sheps Center for Health Services Research. *Rural Hospital Closures.* Accessed August 24, 2026. https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/

[2] Chartis Center for Rural Health. 2026 rural health state of the state. Accessed August 24, 2026. https://www.chartis.com/insights/2026-rural-health-state-state

transformation of care delivery, digital infrastructure, and value-based payment (VBP) readiness. The following examples illustrate some of these key hospital initiatives. At the time of publication, states are still releasing plans for implementation, including sub-award opportunities. The total amount of RHTP funding dedicated to rural hospitals is to be determined, yet anecdotal reports show opportunities may be more limited than originally anticipated. NRHA will continue to track state rural hospital sustainability strategies and investments as the program develops.

## Immediate Rural Hospital Stabilization

States are using RHTP resources to directly stabilize rural hospitals through operational modernization, shared services, and targeted technical assistance. These initiatives often include hospital financial management, strategic partnerships, reimbursement reforms, and capacity-building efforts that help rural hospitals right-size services, improve revenue cycle performance, and prepare for value-based care.

| | | |
|---|---|---|
| **Arkansas:** Stabilize financially vulnerable facilities through shared service agreements, regional staffing partnerships, and coordinated reporting systems.[3] | **Connecticut:** Help hospitals strengthen financial stability, right-size service arrays, improve operations, and complete minor renovations as part of broader care transformation.[4] | **Illinois:** Fund hospital transformation through technical assistance, collaborative expansion, and planning grants that help hospitals redesign care delivery to align with community needs.[5] |
| **Maine:** Invest in tailored hospital financial management, planning, and targeted capital improvements to address financial instability.[6] | **Ohio:** Operate a Rural Hospital Training and Technical Assistance Center offering no-cost technical assistance, sustainability planning, workshops, and leadership development.[7] | **South Dakota:** Support hospitals to assess and transition service delivery models, including strategic partnerships and service line expansion.[8] |

## Regionalization & Hub-and-Spoke Care Models

Other states are pursuing regionalization approaches, including hub-and-spoke models that link rural hospitals with one another, or with larger regional centers, to coordinate specialty care, emergency transport, and service distribution. These models improve coordination, reduce unnecessary transfers, and ensure access to essential services across rural regions. Hub-and-spoke systems often focus on maternal health, emergency care, behavioral health, and primary care, with hospitals serving as central anchors.

[3] RFP: Arkansas' *PACT Initiative Grant*
[4] RFP: Connecticut Department of Social Services. *Connecticut Rural Health Transformation Program Application*
[5] RFP: Illinois RFPs—*Hospital Technical Assistance (ICAHN)*, *Healthcare Transformation Collaborative (HTC) Expansion*, and *Hospital Transformation Planning Grant*
[6] RFP: Maine's *Sustainable Rural Health Ecosystems* (anticipated)
[7] RFP: Ohio's *Rural Hospital Peer Group Funding Opportunity*
[8] RFP: South Dakota's *Medicaid Rural Health Access and Quality Grants*

| | |
|---|---|
| **California:** Transformative Care Model (TCM) builds a statewide hub-and-spoke model focused on maternal and primary care, with hospitals coordinating Federally Qualified Health Centers (FQHC), Rural Health Clinic (RHCs), tribal health programs, behavioral health agencies, birth centers, and local health jurisdictions, to create a digital "nervous system" of telehealth, expand and support rural workforce capacity and transformation payments to financially distressed rural hospitals.[9,10] | **Kansas:** Anchor Hospital Advancement Program (AHAP) intended to strengthen selected rural regional hospitals that can serve as specialty-care and operational resource hubs for surrounding communities. The initial phase priority areas include: On-Demand and Consultative Resources (i.e. cybersecurity, long-range facility planning, mechanical and infrastructure assessments and managed care contracting support), Artificial Intelligence and Electronic Health Record (EHR) Optimization, Remote Patient Monitoring and Rural Residency Programs. [11] |
| **Alabama:** Expand Emergency Medical Service (EMS) diversion and treat-in-place systems statewide, enabling hospitals to function as hubs that reduce unnecessary transfers.[12] | **Pennsylvania:** Support eight regional Rural Care Collaboratives (RCCs) to right-size local health systems, integrate clinical care, and shift services toward lower-cost, community-based care.[13] |

## Viable Rural Hospital Networks & Other Models

States are developing viable economic models that help rural hospitals maintain essential services while transitioning to more sustainable care delivery structures. This includes conversion to REHs, development of clinically integrated networks (CINs), centralized back-office functions, and right-sizing of hospital service lines. Still other states are redesigning service delivery by shifting low-acuity or specialized services to lower-cost settings, mobile units, or community-based care sites. These models emphasize coordinated care, efficient resource use, and financial incentives that reward hospitals for maintaining core community services.

| | | |
|---|---|---|
| **Colorado:** Build and connect regional rural health networks through referral partnerships, shared infrastructure, and data integration, while developing the technology and care-coordination capabilities needed to support future VBP models.[14] | **Kansas:** Develop statewide CIN support for joint contracting, credentialing, and direct-to-employer arrangements and shared financial/contracting infrastructure that reduces administrative burden and improves bargaining power.[15] | **Minnesota:** Setup Regional Care Models and Rural Health Networks to improve whole-person health, including strengthening telehealth connections among rural hospitals, clinics, tribal nations, FQHCs and specialists, developing regional telehealth hubs, coordinating specialty care across rural communities and supporting integrated rural services rather than stand-alone facilities.[16] |

[9] RFP: California's *Accelerator Partner Program Request for Application*
[10] Sunhawk Consulting, California RHTP Overview
[11] Anchor Hospital Advancement Program, Kansas RHTP Website
[12] RFP: Alabama's *EMS Treat-In-Place Initiative*
[13] RFP: Pennsylvania's *Rapid Response Stabilization Program Payment Certification*
[14] RFP: Colorado's *Rural Health Transformation Program Grants*
[15] RFP: Kansas' *Rural Hospital CFO Mentoring and Financial Leadership Support Program*
[16] Minnesota RHTP Overview

| | | |
|---|---|---|
| **Nebraska:** Provide technical assistance and planning support for Critical Access Hospitals (CAH) exploring conversion to REH status, including financial modeling, regulatory compliance, EMS integration, and service redesign.[17] | **Ohio:** Establish CINs and Regional Centers of Excellence linking hospitals, clinics, EMS, pharmacists, and community partners. Hospital-led CINs coordinate services, share data, and pursue joint strategies for sustainability.[18] | **Wyoming:** Incentivize CAHs to maintain essential community services while limiting elective and ancillary services through a tiered incentive program.[19] |

### Regionalization & Hub-and-Spoke Care Models

Other states are pursuing regionalization approaches, including hub-and-spoke models that link rural hospitals with one another, or with larger regional centers, to coordinate specialty care, emergency transport, and service distribution. These models improve coordination, reduce unnecessary transfers, and ensure access to essential services across rural regions. Hub-and-spoke systems often focus on maternal health, emergency care, behavioral health, and primary care, with hospitals serving as central anchors.

| | |
|---|---|
| **California:** Transformative Care Model (TCM) builds a statewide hub-and-spoke model focused on: 1) maternal and primary care, with hospitals coordinating FQHCs, RHCs, tribal health programs, behavioral health agencies, birth centers, and local health jurisdictions, 2) create a digital "nervous system" of telehealth, 3) expand and support rural workforce capacity and 4) transformation payments to financially distressed rural hospitals.[20,21] | **Kansas:** Anchor Hospital Advancement Program (AHAP) is intended to strengthen selected rural regional hospitals that can serve as specialty-care and operational resource hubs for surrounding communities. The initial phase priority areas include: On-Demand and Consultative Resources (i.e. cybersecurity, long-range facility planning, mechanical and infrastructure assessments and managed care contracting support), Artificial Intelligence and EHR Optimization, Remote Patient Monitoring and Rural Residency Programs. [22] |
| **Alabama:** Expand EMS diversion and treat-in-place systems statewide, enabling hospitals to function as hubs that reduce unnecessary transfers.[23] | **Pennsylvania:** Support eight regional Rural Care Collaboratives (RCCs) to right-size local health systems, integrate clinical care, and shift services toward lower-cost, community-based care.[24] |

[17] RFP: Nebraska's *CAH to REH Conversion RFA*
[18] RFP: Ohio's *Rural Ohio Clinically Integrated Networks and Rural Health Innovation Hubs*
[19] RFP: Wyoming's *Critical Access Hospital RFA*
[20] RFP: California's *Accelerator Partner Program Request for Application*
[21] Sunhawk Consulting, California RHTP Overview
[22] Anchor Hospital Advancement Program, Kansas RHTP Website
[23] RFP: Alabama's *EMS Treat-In-Place Initiative*
[24] RFP: Pennsylvania's *Rapid Response Stabilization Program Payment Certification*

National Rural Health Association

## Care Delivery Transformation & Care Innovations

Several states are prioritizing alternative payment arrangements that move away from volume-based fee-for-service and toward VBP, flexible global budgets, and diversified revenue streams. VBP arrangements include alternative payment models (APMs), accountable care organizations (ACOs), global budgets, and the CMS Achieving Healthcare Efficiency through Accountable Design (AHEAD) Model. These initiatives help hospitals build the infrastructure, workforce, data systems, and care coordination capabilities needed to succeed under value-based care. Many states are offering incentive payments, targeted technical assistance, and competitive funds to support hospital participation in advanced payment models.

| | | |
|---|---|---|
| **Florida:** Focus on hospital solvency by implementing VBP models and promoting integrated Medicare-Medicaid plans to streamline billing and stabilize revenue.[25] | **Georgia:** Prepare 87 rural hospitals for the AHEAD Model by expanding workforce pipelines, telehealth access, maternal and behavioral health services, and other critical health services through telehealth, transportation and expanded care networks.[26] | **North Carolina**: Establish capabilities for rural primary care practices to participate in advanced VBP models and lay the groundwork for rural hospital participation in VBP arrangements, with a focus on financial sustainability.[27] |
| **Colorado:** Make Rural America Healthy Again pilots rural VBP care models, supports for care coordination across the continuum including behavioral health, nutrition and referral systems that link clinical providers with community-based prevention programs and social support resources.[28] | **Hawaii:** Launch Rural Value Based Innovation (RVBI) initiative with a competitive fund that will help rural providers adopt care models and succeed under the AHEAD model by financing local value-based innovations. The fund may support quality reporting, advanced analytics, practice transformation coaching, and staffing, and is available to hospitals, providers, and FQHCs.[29] | **Nevada:** Rural Health Outcomes Accelerator Program focuses on improving population health and using financial incentives to move providers to sustainable delivery models, including chronic disease prevention and management, behavioral health, maternal health, primary care access VBP, rural ACO and network development and integrated care models utilizing community health workers.[30] |
| **Rhode Island:** Promote multi-payer alignment through hospital and primary care incentive payments and targeted technical assistance. Provide direct financial support for strategic projects that help eligible providers implement VBP.[31] | **Washington:** Support rural hospital financial health through network expansion, VBP model design, technology infrastructure investments, and targeted support for essential service lines such as maternal and emergency care.[32] | **Utah:** Support for Financial Approaches for Sustainable Transformation (FAST) which is designed to strengthen rural hospitals through VBP models, alternative care delivery approaches, sustainable financing strategies and specialist access models. [33] |

[25] RFP: Florida's *RHTP Value-Based Purchasing*
[26] CMS Georgia RHTP Press Release
[27] North Carolina's *Rural Health Innovation Fund*
[28] RFP: Colorado's *Rural Health Transformation Program Grants*
[29] RFP: Hawaii's *Rural Value-Based Innovation and AHEAD Readiness Fund*
[30] Nevada RHTP Overview Website
[31] RFP: Rhode Island *Rural Health Network (RCHN) Development*
[32] Washington RHTP Program Summary
[33] Utah RHTP Program, Utah Department of Health and Human Services.

National Rural Health Association

## Maternal & Perinatal Health Access Improvements

States are expanding tele-obstetrics, perinatal quality collaboratives, doula and midwife workforce capacity, and maternal remote patient monitoring. These initiatives help rural hospitals maintain or enhance maternity services, especially in regions facing obstetric unit closures.

| | | |
|---|---|---|
| **Alabama:** Equip rural hospitals with telerobotic ultrasound devices and labor and delivery carts to provide digital maternity care.[34] | **Indiana:** Strengthen emergency departments in rural hospitals and EMS agencies to ensure readiness for pediatric and obstetric emergencies.[35] | **Minnesota:** Provide bridge grants to hospitals and birthing centers to plan regional care models that balance service line sustainability with population needs, supported by Project ECHO for maternal and behavioral health.[36] |

## Capital Expenditures & Infrastructure

States are modernizing rural hospital facilities through renovations, equipment upgrades, and co-location of services. These investments help hospitals maintain essential services, improve efficiency, and align overhead costs with patient volume.

| | | |
|---|---|---|
| **Kansas:** The REH Conversion/ Transformative Capital Investment (REH/CAP) Grant Program provides funding to: help hospitals convert to REH status through necessary facility renovations and support other rural providers with capital investments that transform how they deliver services in their communities. [37] | **Nevada:** Implements the Rural Health Flex Fund, which supports capital expenditures, medical equipment purchases, facility modernization, technology upgrades, ambulances and emergency services equipment, mobile health units and telehealth infrastructure. The goal is to strengthen and modernize local rural and frontier healthcare infrastructure. [38] | **Texas:** Supports infrastructure and capital investments for Texas hospitals including medical equipment purchases, facility modernization, building renovations, infrastructure improvements and capital projects needed to maintain and expand services in rural hospitals and clinics. [39] |
| **North Dakota:** Funds rural hospital equipment upgrades, expanding specialty and emergency services and enabling faster local diagnoses.[40] | **Pennsylvania:** Invest in renovations, structural improvements, equipment purchases, and essential supplies for rural hospitals.[41] | **Tennessee:** Support co-location of services, renovations, equipment acquisition, staffing incentives tied to five-year rural commitments, simulation-based training, workflow redesign, and telemedicine expansion.[42] |

[34] RFP: Alabama's *Maternal and Fetal Health Initiative*
[35] CMS Indiana RHTP Press Release
[36] RFP: Minnesota's *Project ECHO for Maternal and Behavioral Health*
[37] KDHE Notice of Opportunity Funding
[38] Nevada RHTP Overview Website
[39] Texas RHTP Overview
[40] RFP: North Dakota's *Rightsizing Health Care Delivery Systems for the Future: Rural FQHCs & CAHs*
[41] CMS Pennsylvania RHTP Press Release
[42] TN Rural Healthcare Access Modernization Program (RAMP)

National Rural Health Association

## Digital Health & Consumer Tech Solutions

States are deploying technology to expand specialty access, enhance emergency care, and support remote monitoring. These initiatives include AI-enabled imaging, virtual specialty clinics, eICUs, surgical robotics, and statewide telehealth expansion.

| | | |
|---|---|---|
| **Alabama:** Deploy AI-powered medical imaging across 21 hospitals, along with SMART rooms, telemetry, digital integration, and emergency teleconsultation.[43] | **Arkansas:** Invest in upgrades to rural hospital IT systems specialty telehealth, AI-enabled SMART rooms, telemetry and imaging equipment, digital integration, and emergency teleconsultation capability.[44] | **Florida:** Enable rural hospitals to host virtual specialty clinics and eICU services connecting them to remote critical care teams.[45] |
| **Georgia:** Fund rural hospital technology-enabled care and infrastructure, including cybersecurity, telehealth capacity, surgical robotics and other tools designed to strengthen rural healthcare delivery.[46] | **Texas:** Lone Star Advanced AI and Telehealth initiative supports AI-enabled healthcare tools, telehealth expansion, remote monitoring, technology solutions that increase specialty access in rural areas, cybersecurity services, health IT improvements, interoperability investments for rural providers.[47] | **Utah:** The Sustaining Health Infrastructure for Transformation (SHIFT) supports rural hospitals through local healthcare infrastructure, service expansion, and preventive care delivery enhancements. Grants fund technology modernization, data exchange capabilities and telehealth. [48] |

## Health IT System Advances & Interoperability

States are building digital backbones that connect rural hospitals through interoperable EHRs, shared data hubs, secure networks, and statewide health information exchanges. These investments support care coordination, reduce administrative burden, and enable participation in VBP models.

| | | |
|---|---|---|
| **Colorado:** Health Information Technology and Digital health which includes investments in Health IT Modernization, technology-enabled services, digital health infrastructure and connectivity and operational efficiencies. [49] | **Hawaii:** Develop a statewide Rural Health Information Network (RHIN) linking hospitals, clinics, and health centers through interoperable EHRs and integrated data hubs.[50] | **Tennessee:** Fund scalable, interoperable, and secure digital solutions that expand access and strengthen clinical integration.[51] |

[43] CMS Alabama Press Release
[44] CMS Arkansas Press Releases
[45] RFP: Florida's *RHTP Specialty and Acute Care Bundle (Bundle Two)*
[46] CMS Georgia Press Releases
[47] Texas RHTP Overview
[48] Utah RHTP Program, Utah Department of Health and Human Services.
[49] Colorado RHTP Overview
[50] RFP: Hawaii's *Rural Health Information Network (RHIN)*
[51] RFP: Tennessee's *Health Tech Innovation*

National Rural Health Association

**Sources**

CMS Rural Health Transformation Program press releases
CMS Rural Health Transformation Program resources: RHT Program State Project Abstracts
CMS Rural Health Transformation Program resources: RHT 50 State Spotlights
NRHA RHTP Program State Plan Summaries
NRHA RHTP State-by-State Funding Opportunities Map