American Hospital Association™
Advancing Health in America

Washington, D.C. Office
800 10th Street, N.W.
Two CityCenter, Suite 400
Washington, DC 20001-4956
(202) 638-1100

August 11, 2025

The Honorable Mehmet Oz, M.D.
Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W., Room 445-G
Washington, DC 20201

RE: One Big Beautiful Bill Act (OBBBA) Rural Health Transformation Program (RHTP)

Dear Administrator Oz:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers, and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) urges the Centers for Medicare & Medicaid Services (CMS) to ensure that the Rural Health Transformation Program (RHTP) funding prioritizes payments to hospitals through an efficient and streamlined state application and award process.

Hospitals serve as a critical — and sometimes the sole — source of care for rural communities. One in seven Americans live in rural areas and rely on rural hospitals and health systems for their health and well-being.[1] The importance of these hospitals cannot be overstated, as individuals who live in these communities face greater challenges in accessing health care due to several factors, including geographic isolation, a shortage of health care providers and a lack of affordable coverage options[2].

The One Big Beautiful Bill Act (OBBBA) includes $50 billion in funding for rural providers, with $10 billion allocated each of fiscal years 2026-2030, through the RHTP. States will need to submit a one-time application to CMS to be eligible for these funds. As required by law, the application must include a rural health transformation plan that

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[1] https://aspe.hhs.gov/sites/default/files/documents/6056484066506a8d4ba3dcd8d9322490/rural-health-rr-30-Oct-24.pdf
[2] https://www.gao.gov/blog/why-health-care-harder-access-rural-america

describes how the funds will support rural residents in the state, including but not limited to ways to improve access to hospitals, foster strategic partnerships between rural hospitals and other health care providers, support data and technology solutions to help rural hospitals provide services as close to a patient's home as possible, and assist stand-alone rural hospitals at risk of closure, conversion or service reduction. Of the annual appropriation, 50% would be distributed equally to the 50 states with approved applications, and 50% would be distributed to states based on a process to be determined by CMS.

As CMS considers how to allocate program funding, we urge you to prioritize simplified state applications that direct the funding to hospitals.

PRIORITIZE PAYMENTS TO HOSPITALS

Hospitals are essential providers of care whose financial stability and modernization must be prioritized to preserve access to care in rural communities and improve health care outcomes under the OBBBA.

Hospitals are Critical Access Points in Rural Communities

Hospitals are a critical access point for health care in rural communities because they often serve as the only site where residents can receive comprehensive medical care, including emergency services, inpatient and outpatient treatment, therapy services and diagnostics. In many rural areas, hospitals provide a centralized location for both acute and preventive care, functioning as safety nets in regions with few or no alternative health care providers. They are equipped to stabilize and treat life-threatening conditions, manage chronic diseases, provide prevention and wellness services, and coordinate referrals to higher levels of care when needed. When rural hospitals close or curtail services, residents are forced to travel long distances for even basic treatment, increasing the risk of poor health outcomes.

Rural Hospitals are Financially Vulnerable and at Risk of Closure

Nearly half of rural hospitals are delivering care significantly below the cost of providing services, making it financially challenging to remain viable. Many are facing risks of closure due to low patient volumes, high fixed costs, outdated infrastructure and workforce shortages. For example, 48% of rural hospitals operated at a financial loss in 2023, and over 100 have closed or converted in the last decade.[3] In addition, most rural hospitals lose money when providing critical medical services needed in their communities, including behavioral health, pulmonology, obstetrics and wound care.[4] They also rely more heavily on public payers — Medicare and Medicaid — and have a corresponding lower share of private coverage. Moreover, when rural hospitals close, it threatens the health and economic vitality of the entire community.

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[3] https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/; converted facilities no longer offer inpatient services but continue to provide some health care services.
[4] AHA analysis of industry benchmark data from Strata Decision Technology LLC.

OBBBA Directs Funding to Hospitals

As part of its deliberations, Congress included RHTP funding in direct response to reductions in Medicaid payments to hospitals. Lawmakers designed the fund with the goal of stabilizing, modernizing and sustaining rural hospitals, understanding the vital role they play in their communities. Hospitals serve as lifelines for emergency care, chronic disease management and a wide range of essential health services in underserved areas. Legislative summaries and congressional discussions made clear that the fund should prioritize hospitals, especially those facing financial distress and aging infrastructure, rather than dispersing resources thinly across other types of health providers or programs. By focusing the resources on hospitals, Congress was addressing the risk of closures and ensuring that rural Americans continue to have a reliable, local point of entry to the health care system.

CREATE A STREAMLINED APPLICATION AND AWARD PROCESS

Given the expedited timeline required under the OBBBA, we urge CMS to implement an application and award process that is as simple and streamlined as possible.

Consider a Standard Application Template

We encourage CMS to create a flexible template to assist states with their applications. We also support communicating promptly a deadline for states to submit their applications and recommend choosing a date that will allow sufficient time for states to submit meaningful proposals with stakeholder input. We also support processes that will ensure the RHTP funds get to hospitals in a timely manner.

Ensure Transparency

CMS should make publicly available state application materials, plans and reports on how RHTP funds are allocated and for what purpose. We encourage CMS to consider developing certain criteria and metrics for evaluating and approving state proposals. It is important that congressional funding goes toward its intended purpose; policymakers and other stakeholders should be able to identify CMS funding allocations to states, as well as state funding allocation to hospitals and other providers.

Ensure No Pre-Funding Requirements

Rural hospitals should not be required to begin or complete a project before receiving RHTP funds as most operate with extremely limited financial reserves and lack access to commercial credit or bridge loans to cover up-front costs. Mandating project initiation or completion as a prerequisite would effectively exclude the most financially vulnerable facilities — the very hospitals at highest risk of closure and most in need of aid — from accessing the support Congress intended to provide. As mentioned earlier, rural hospitals often have thin or negative operating margins and face urgent infrastructure and capital needs that cannot wait for reimbursement. Immediate, flexible access to funds enables rural hospitals to engage in thoughtful planning, secure contractors, purchase equipment and sequence renovations without jeopardizing day-to-day operations or patient care. Removing pre-funding requirements support the

effectiveness of the RHTP by targeting relief to those with the least capacity to act without timely government intervention.

Simplify Administrative Processing
We urge CMS to ensure states do not enact undue administrative barriers to hospitals' ability to receive the funds. Complex bureaucratic processes or excessive paperwork could delay or even prevent health care facilities from getting the support they need to improve rural health care.

Allow Application Refinements Over Time
CMS should consider allowing a certain degree of application refinement over time. Specifically, the legislation provides for a one-time application for five years of funding. However, situations and circumstances can change significantly in five years. Holding states to the use of funds that was detailed years previously could mean that some funds go unused, which would be a disservice to rural hospitals and the communities they serve.

SUPPORT PAYMENT FOR WORKFORCE RECRUITMENT AND RETENTION
The RHTP should prioritize payments to rural hospitals for workforce recruitment and retention. Rural hospitals chronically struggle to attract and keep physicians, nurses and allied health professionals due to geographic isolation, lower pay scales, limited professional support and fewer advancement opportunities. These shortages often lead to service reductions or closures, directly undermining access to care for rural residents. By targeting funds toward recruitment incentives, competitive salaries, training programs and retention bonuses, the fund can help rural hospitals fill critical gaps, prevent burnout among existing staff, and develop sustainable teams to provide safe, high quality health care to rural residents.

SUPPORT PAYMENT FOR INFRASTRUCTURE AND TELEHEALTH SERVICES
Aging rural hospital infrastructure is a pressing challenge that threatens the quality and availability of health care in many communities. Most rural hospitals were constructed decades ago, often with funding from now-outdated federal initiatives like the Hill-Burton Act, and their physical plants have not kept pace with modern standards. Several are in need of significant maintenance, renovation or even complete replacement, but rural hospitals face unique difficulties accessing capital for such investments since they operate on narrow or negative margins and are frequently excluded from traditional lending markets.

Moreover, rural hospitals have emerged as leaders in advancing telehealth and remote patient monitoring technologies that bring care closer to patients' homes, helping to address the unique challenges of geographic isolation and limited provider availability. By implementing telehealth platforms, rural hospitals enable patients to access specialty consultations, follow-up visits, and behavioral health services without the burden of long-distance travel. Hospitals also use remote patient monitoring systems to track vital signs, manage chronic diseases, and provide timely interventions — all from the comfort

and safety of a patient's home. These innovations not only expand the reach of skilled clinicians but also reduce unnecessary hospital admissions, improve patient satisfaction and help patients maintain better health outcomes in their own communities. With additional funding, more hospitals could invest in telehealth and digital health infrastructure to ensure that even those in the most remote areas receive timely, high-quality, and convenient care.

REPORT FUNDING SEPARATELY ON MEDICARE COST REPORTS

Finally, we urge CMS to ensure that the RHTP funds received by rural hospitals are clearly reported on the Medicare cost report. Specifically, the agency should create separate, specific lines in the "Other Income" section of worksheet G-3 of the cost report for hospitals to report funds received from the RHTP. Doing so would help enable consistent reporting by hospitals and avoid any skewing of cost and reimbursement analyses. We also urge CMS to provide clear instructions that the RHTP funds should not offset expenses listed within the cost report.

We appreciate your consideration of these issues. Our detailed comments are attached. Please contact me if you have questions or feel free to have a member of your team contact Joanna Hiatt Kim, AHA's vice president of payment policy, at jkim@aha.org

Sincerely,

/s/

Stacey Hughes
Executive Vice President

Cc: Abe Sutton
Stephanie Carlton