Federation of American Hospitals

Charles N. Kahn III
President and CEO

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The Honorable Mehmet Oz, MD
Administrator
Centers for Medicare & Medicaid Services
7500 Security Blvd
Baltimore, MD 21244–8016

RE: Rural Health Transformation Funding

Dear Dr. Oz:

The Federation of American Hospitals (FAH) writes to express our support and recommendations for the Rural Health Transformation Funding (RHTF) outlined in the One Big Beautiful Bill Act (OBBBA) (P.L. 119-21). This funding provides an important first step as we work together to ensure that everyone living in a rural community has access to affordable quality health care. Rural hospitals are the backbone of those communities, but they face steep challenges — rising costs, workforce shortages, and changing Medicare, Medicaid and marketplace dynamics that threaten their survival.

All hospitals, especially those serving a high volume of Medicaid patients throughout the country, are very concerned about the implications of the Medicaid changes included in the OBBBA. The RHTF has the potential to play an important role in sustaining access to care in rural communities, where rural hospitals face unique financial and operational challenges that threaten their long-term viability. But more must be done to ensure that the momentum is sustained. Without both an immediate infusion of targeted support and a sustained commitment of resources for successful transformation, many rural hospitals will be unable to meet the needs of their communities, further deepening health disparities and access gaps across rural America.

The FAH is the national representative of more than 1,000 leading tax-paying urban and rural, teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and health systems that provide a wide range of inpatient, ambulatory, post-acute, emergency, children's, and cancer services. FAH members are part of the care continuum that serves the more than 60 million Americans that live in rural communities. In the last 15 years, over 190 rural hospitals have either closed or discontinued inpatient care, leaving rural populations vulnerable. When those hospitals close, the burden of providing that care is borne by the remaining community providers, including hospitals delivering acute and specialty services not available elsewhere—placing increased strain on already-limited resources and resulting in higher costs and reduced access for the entire community.

As CMS considers its guidance to states and formulates its criteria for the allocation and approval of rural fund grant dollars, we urge the agency to consider the following as we work toward our shared goals of ensuing a robust and resilient rural health care system for every community across the country.

Prioritize Payments to Rural Hospitals for Critical Services, Workforce, and Infrastructure

To support the long-term viability and modernization of rural health care, CMS should use its authority to require states to prioritize directing RHTF payments to rural hospitals, treating this as a significant consideration in the evaluation of state applications. Prioritizing rural hospitals in this way would advance the overarching policy goals of improving access, sustaining essential services, and strengthening the rural health care delivery system. Moreover, CMS must ensure that all rural hospitals—regardless of ownership structure or tax status—are eligible to receive RHTF dollars. Taxpaying hospitals and health systems are investing critical resources into strengthening access to care in communities that have historically been left behind by established health care interests. These hospitals not only meet the critical health care needs of patients, but also contribute to the local tax base, create well-paying jobs for hard-working Americans and drive economic growth in rural communities. Ensuring the sustainability of these facilities is key to promoting a robust rural health infrastructure across the country.

Every day, despite many challenges, all rural hospitals are working to maintain or restore access to critical services that are not available at any other care site. More specifically, many rural hospitals are particularly focused on services where patients face the greatest barriers, such as emergency medicine and trauma, behavioral health and substance use, obstetrics, and specialty care. Direct payments to hospitals are critical to ensure these services remain viable.

Equally important is making sure states direct funding directly to rural hospitals so that they can maintain and appropriately invest in workforce stability through recruitment, retention, and training strategies that ensure services are available. Additional payments to support ongoing and new capital and infrastructure investments are critical, including modernizing facilities, expanding broadband, and implementing technology such as telehealth and data systems that enable coordinated, high-quality care delivery in rural and remote settings.

Accessing RHTF grants through their states shouldn't require providers to expend scarce resources upfront. CMS must ensure funds are distributed without imposing unnecessary costs or administrative burdens on hospitals. Further, CMS should support and sustain existing, effective programs rather than requiring providers to create new ones.

Allow for Updates to State Plans Over Time and Make Process Transparent

Given the rapidly evolving health care landscape and the financial uncertainty facing rural hospitals, CMS should permit States to modify their RHTF implementation plans over time. This flexibility would allow states to respond to emerging health care needs, shifts in population health, rural hospital closures, or future financial shocks—such as anticipated reductions tied to

OBBBA implementation in out-years. Allowing these changes ensures that state plans remain responsive, adaptive, and effective over the long term.

We urge CMS to make clear and transparent the process for applying for and distributing RHTF funds, and ensure that states also undertake this process in developing their applications. This includes publishing application requirements, eligibility criteria, selection processes, and criteria for funding allocations for all providers. Transparency builds trust among stakeholders and ensures accountability. And lastly, should a state have an application denied, we would encourage CMS to allow that state to resubmit its application for reconsideration by the December 31, 2025 deadline.

Ensure RHTF Supplements – Not Displaces – Federal Funding Support

To preserve the full benefit of RHTF dollars and avoid unintended financial consequences, CMS should create a designated space on the Medicare cost report to capture these funds so as not to trigger offsets to Medicare allowable costs. For example, the Provider Relief Funding during the COVID-19 pandemic was accounted for on special lines created on Worksheet G-3 "Other Income". This technical adjustment to reporting revenues on the Medicare cost report is critical to ensuring that RHTF payments supplement, rather than displace, existing federal support and that hospitals are not penalized for receiving these essential investments.

While the RHTF payments cannot be used to draw down federal funding, we request that CMS make clear to states that RHTF payments should not be treated as payments for Medicaid or uninsured patients, and must be excluded from Medicaid DSH audits, surveys, and uncompensated care cost calculations**.** This is essential given that states will be distributing the funds, and hospital-level methodologies have not yet been defined.

The FAH appreciates this opportunity to submit these comments. If you have any questions or if we can assist CMS as it considers these recommendations, please contact me or any member of my staff at (202) 624-1500.

Sincerely,