

ANALYSIS

Item 2: Oregon Health Authority Rural Health Transformation

Analyst: Matt Stayner

Request: Approve, retroactively, the submission of a federal grant application to the Centers for Medicare and Medicaid Services in the amount of up to \$1,000,000,000, over a period of five years, to support rural communities in improving healthcare access, quality, and outcomes.

Analysis: On September 15, 2025, the Centers for Medicare and Medicaid Services (CMS) made available a grant opportunity under the Rural Health Transformation (RHT) program. The CMS stated focus of the program is to promote innovation, strategic partnerships, infrastructure development, and workforce development in rural communities to improve healthcare access, quality, and outcomes. The application deadline was November 5, 2025. The Legislative Fiscal Office received a notice of intent to apply for the grant funding from the Oregon Health Authority (OHA) on October 21, 2025. There are no state cost-sharing requirements associated with the funding.

Awardees will be selected and funding amounts for federal fiscal year 2026 will be determined by December 31, 2025, with subsequent funding award amounts being determined on an annual basis each October beginning in 2026. A baseline award of \$100 million will be made annually for each approved state; the remaining available funding for each year will be awarded based on the “content and quality of [the State’s] application and rural factors.” These terms and scoring methodology are further explained in the grant application guidance but are not definitive. In addition to several specifically disallowed or limitation on uses, awarded funding cannot be used to meet matching requirements for any other federal funds.

During the grant period, awarded, but unexpended funds at the end of each subject federal fiscal year must be returned to CMS for redistribution via awards in subsequent years. Any unexpended funding as of the end of the grant program (October 1, 2032) must be returned to CMS. State obligated or earmarked funds that have not been paid out are not considered expended and are subject to these claw-back provisions.

The grant opportunity requires the OHA to consult with certain partners in the development of the application. OHA hosted multiple virtual public forums, convened meetings with select associations, entities, and rural health care experts, conducted a public survey to assess unmet needs, challenges, and possible projects that align with RHT project permissible uses of funds, and made a presentation at the Oregon Rural Health Conference hosted by the Oregon Health and Science University (OHSU) on October 2, 2025. The application materials outline a plan for

continuous partner engagement over the grant period. A list of “key stakeholders” is included in the application materials.

The RHT program requires that states use awarded funding for at least three of 11 permissible uses to pursue the strategic goals of the program as defined in the grant application guidance and U.S. House Resolution 1 (H.R. 1). The OHA application outlines five initiatives that address the program’s strategic goals utilizing all 11 permissible funding uses. The initiatives and estimated amount of awarded funding allocated to each include:

- Regional Partnerships and System Transformation, \$40 - \$55 million per year
- Healthy Communities and Preventions, \$50 - \$75 million per year
- Workforce Capacity and Resilience, \$30 - \$45 million per year
- Technology and Data Modernization, \$7.4 - \$35 million per year
- Tribal Set Aside, \$20 million or 10% of awarded funding per year

The funding ranges reflect varying levels of funding for each activity, each year, but the annual total for all activities will not exceed \$200 million per year.

OHA’s grant application outlines a framework for policy and operational sustainability following the end of the grant funding period, requiring that all projects initiated under the program develop a comprehensive sustainability plan by the fourth year that includes identifying additional funding sources.

Agency direct administrative costs as proposed in the application total \$20 million per year, which includes between \$5.4 and \$7 million for staffing costs supporting 47 either currently existing or new positions, with the remaining balance allocated to services and supplies expenditures, including professional contracted services.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means approve the request.

2 Oregon Health Authority Trombley

Request: Retroactive authorization for the Oregon Health Authority to apply for a grant of up to \$1 billion over five years from the federal Rural Health Transformation Program with U.S Department of Health, Centers for Medicare & Medicaid Services.

Recommendation: Approve the request.

Discussion: The Oregon Health Authority (OHA) requests retroactive authorization to apply for a five-year federal grant, offered through the Rural Health Transformation Program (RHT), of up to \$1 billion. The RHT, operated by the U.S. Department of Health & Human Services (HHS) Centers for Medicare & Medicaid Services (CMS), is designed to improve health care access, quality, and outcomes in rural communities.

From August 20th to September 5th, OHA sought public comment on what projects could be launched if entities received funding, community-specific needs in rural communities, potential partnerships, and evidence-based initiatives to improve delivery of services. The top challenges identified from survey responses included: workforce development, access to care, chronic disease management and prevention, telehealth and technology, lack of behavioral health and substance use disorder services, financial instability among hospitals and clinics, access to maternal and child health services, and out of date data and reporting infrastructure. RHT grant funds cannot be used to fund new construction or clinical services that duplicate billable services and/or attempt to change payments or current payment schedules.

OHA held two public forums in October to report on the survey results and its proposed implementation plan if the agency is awarded funding. OHA collected additional public feedback until October 15th. OHA submitted a 10-day notification letter on October 20th, 2025. Applications for the RHT were due on November 5, 2025. The Centers for Medicare and Medicaid Services (CMS) will make award decisions by December 31, 2025.

If OHA is awarded funding, the funding would be allocated over a five-year period on October 31 of a budget year, except for the first year of funding, which would be distributed on December 31, 2025. All approved states are expected to receive at least \$100 million annually, but that number could end up as high as \$200 million per year, depending on the number of states that apply and are ultimately approved. OHA is utilizing existing staff in the Health Policy & Analytics Division to support application and program development. If Oregon is awarded a grant, OHA will need to request additional expenditure limitation and positions to support grant implementation. Those positions would be supported by funding from the RHT grant.

Tina Kotek, Governor

October 20, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301

Dear Co-Chairs:

Nature of Request

The Oregon Health Authority (OHA) Health Policy & Analytics Division is requesting approval to apply for a federal cooperative agreement offered through the U.S. Department of Health & Human Services (HHS), Centers for Medicare & Medicaid Services (CMS): the *Rural Health Transformation (RHT) Program*. A notice of funding opportunity was released on Sept. 15, 2025, a 10-day notification letter was provided on Oct. 20, 2025 to the President of the Senate and Speaker of the House, and the application is due Nov. 5, 2025.

Agency Action

The purpose of the RHT Program is to support state governments in transforming rural health care delivery systems to improve access, quality, and outcomes. The program focuses on innovation, strategic partnerships, infrastructure development, and workforce investment. Funding may be used for a variety of activities, including prevention and chronic disease management, provider payments, consumer technology solutions, training and technical assistance, workforce development, IT advancements, behavioral health, and access to appropriate levels of care.

OHA anticipates between \$100 million and \$200 million will be made available annually over a five-year period from Jan. 1, 2026, through Sept. 30, 2030, for a total of approximately \$1 billion. There is no state match or maintenance of effort required. The total funds that Oregon may receive from CMS will depend on the three variables: the number of states that apply to the program, how well Oregon scores on objective factors like the percent of residents living in rural areas, and how well Oregon scores on subjective factors regarding the proposed initiatives.

For budgeting purposes, CMS suggests using an estimate of \$200 million for the first year. However, that amount may not be what Oregon ultimately receives. Based on verbal descriptions from CMS officials, it is expected that all approved states will receive at least \$100 million.

If awarded, OHA will request additional expenditure limitation and may request position authority to support implementation. Currently, OHA is evaluating staffing needs to implement this grant. The agency anticipates that several positions may be required, including roles in project manager, research, policy and fiscal analysis, community engagement, contract and subaward management, and administrative support. Until an award is made, existing staff will support grant activities.

Oregon's priority areas outlined in the grant proposal align with OHA's mission to eliminate health inequities in the state by 2030. Research shows that Oregon residents in rural and frontier areas experience more challenges accessing health care services, higher rates of preventable hospitalizations, and higher disease prevalence.

The Governor's priority areas for this grant opportunity are:

- Promoting evidence-based, measurable interventions to improve prevention and chronic disease management
- Assisting rural communities in right-sizing their health care delivery systems by identifying needed preventative, ambulatory, pre-hospital, emergency, acute inpatient, outpatient, and post-acute care service lines
- Training and assistance for the development and adoption of technology-enabled solutions that improve delivery of care in rural and/or vulnerable communities
- Recruiting and retaining clinical workforce in rural areas

OHA will monitor data throughout the grant period to assess progress, identify challenges, and explore future funding opportunities to sustain successful efforts and meet ongoing needs.

Senator Kate Lieber
Representative Tawna Sanchez
October 20, 2025

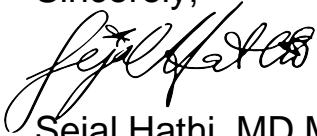
Action Requested

The Oregon Health Authority requests retroactive approval to apply for the *Rural Health Transformation Program* cooperative agreement offered by the U.S. Health & Human Services, Centers for Medicare and Medicaid Services.

Legislation Affected

None.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sejal Hathi', is written over a horizontal line.

Sejal Hathi, MD MBA
Director

EC: Matt Stayner, Legislative Fiscal Office
Stacey Chase, Department of Administrative Services
Jason Trombley, Department of Administrative Services
Kate Nass, Department of Administrative Services
Amanda Beitel, Legislative Fiscal Office