HCAi
Department of Health Care Access and Information

Agenda Item 9:

Rural Health Transformation Program

Presenters:
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Program overview

- Established by **Public Law 119-21**, funded at **$50B**.
- States must invest in **≥ 3 permissible uses of funds**

"Supporting rural communities to improve healthcare access, quality, and outcomes through system transformation"

Funding must enhance rural healthcare systems, not replace/supplement existing Medicaid resources.

Strategic Goals

1. Make Rural America Healthy Again

- Expand rural health innovations and access points to address root causes of disease, focusing on **prevention**, **chronic disease management**, **behavioral health**, and **prenatal care**.

2. Sustainable Access

- Strengthen rural providers as long-term access points by improving **efficiency**, **sustainability**, and **partnerships** with regional systems for coordinated operations, care, and emergency services.

3. Workforce Development

- **Recruit** and **retain** skilled providers, enable them to practice at the top of their license, and broaden the workforce with roles like community health workers, pharmacists, and patient navigators.

4. Innovative Care

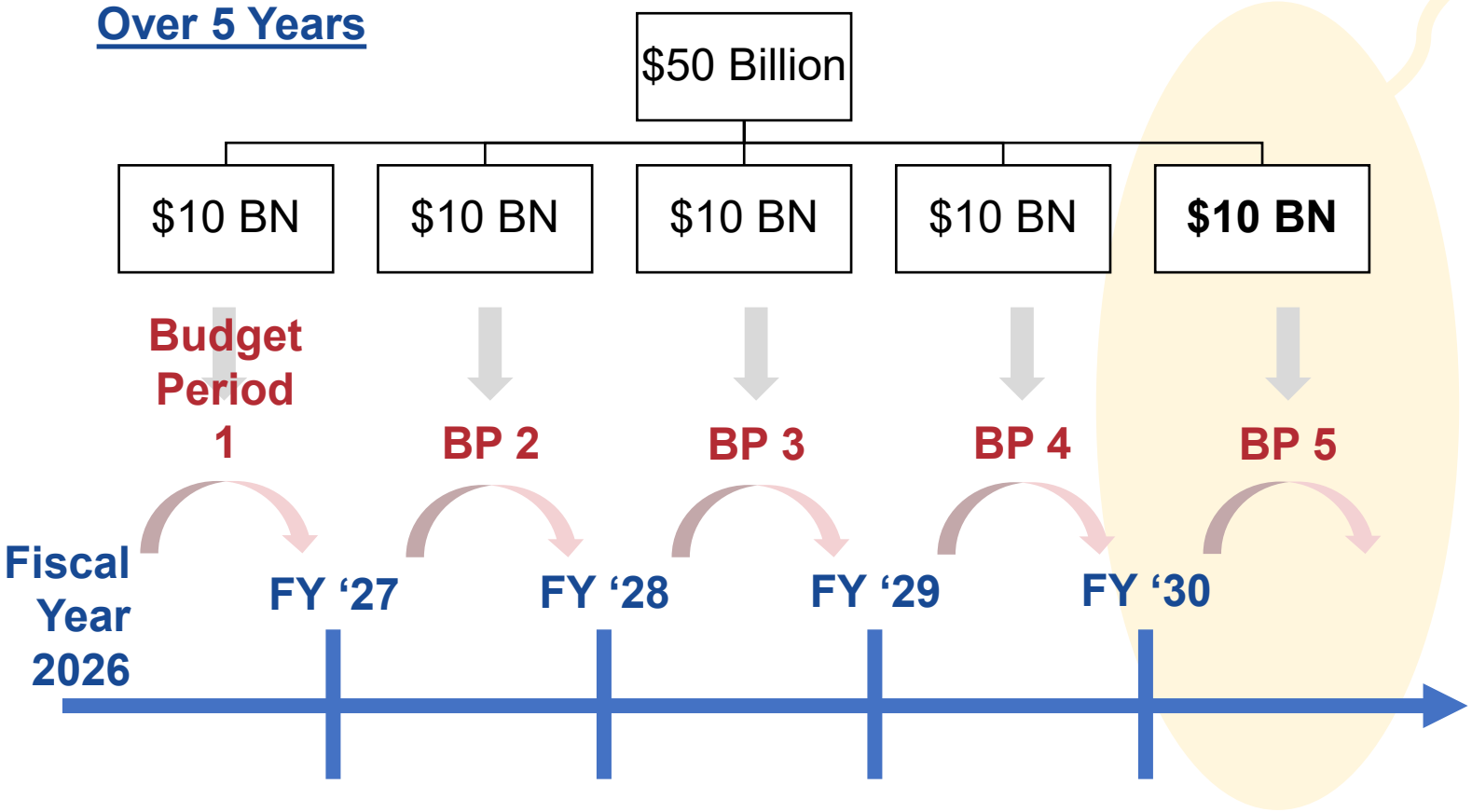
- Advance new care models and payment mechanisms that improve outcomes, coordinate **services**, reduce **costs**, and shift care to **lower-cost** settings.

5. Tech Innovation

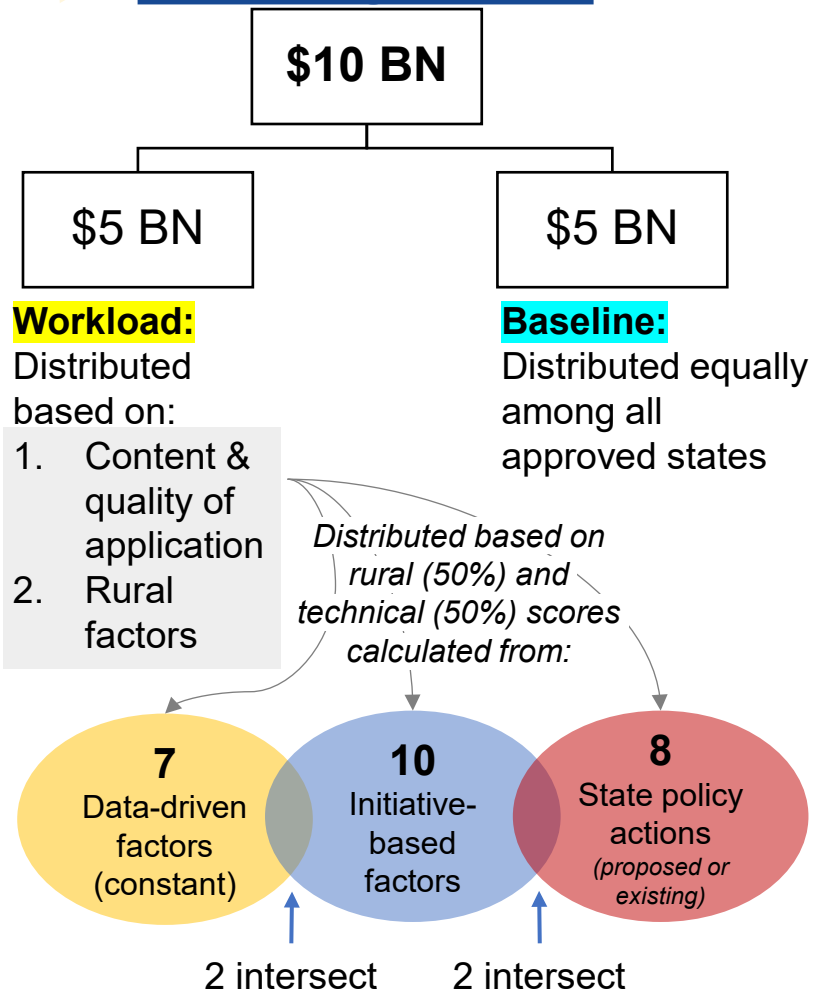
- Support technology adoption for **remote** care, **data** sharing, **cybersecurity**, and emerging digital health **tools** to enhance efficiency and access in rural healthcare.

Funds distribution across states

Over 5 Years



Each Budget Peroid



11 permissible uses of funds

BP = Budget Period

Category	Summary
A. **Prevention & Chronic Disease**	Evidence-based interventions for prevention and chronic disease management.
B. **Provider Payments**	Payments to providers for care items/services (some restrictions). **≤ 15% per BP.**
C. **Consumer Tech Solutions**	Technology-driven tools for prevention & disease management.
D. **Training & Technical Assistance**	Support for adopting tech-enabled care (*e.g., AI, robotics, remote monitoring*).
E. **Workforce**	Recruitment/retention with ≥ 5-year rural service commitments.
F. **IT Advances**	Software, hardware, and cybersecurity to improve efficiency and outcomes.
G. **Appropriate Care Availability**	Optimize rural service lines (*e.g., preventive, inpatient, emergency, etc*.).
H. **Behavioral Health**	Opioid use disorder, substance use disorder, and mental health services access.
I. **Innovative Care Models**	Value-based care and alternative payment models.
J. **Capital & Infrastructure**	Minor renovations, equipment, facility upgrades. **≤ 20% per BP.**
K. **Collaboration**	Partnerships to improve quality, financial stability, and access.

*To qualify, HCAI's application must detail plans to use the funds in **at least three** of the listed areas.*

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Key funding limitations

Program-Specific Restrictions (per budget period)

- **New construction** unallowable; minor renovations (**category J**) capped at **≤ 20%**
- **Provider payments** (**category B**) capped at **15%** of CMS award
- **EMR replacement** **≤ 5%** if HITECH-certified system already in place
- **Rural Tech Catalyst Fund-type initiatives** capped at lesser of **10%** or **$20M**
- **Clinician salaries** restricted if tied to non-compete clauses
- Cannot replace **reimbursable insurance payments** or duplicate billable services
- **Administrative costs** capped at **≤ 10%** of total state budget*

General Restrictions

- **Pre-award** costs, lobbying, supplanting existing funds
- **Services/equipment** legally covered by other entities (*e.g., education, civil rights accommodations*)
- **Construction**, major renovations, cosmetic upgrades
- Independent **R&D**, telecom/broadband support, meals (limited exceptions)
- **Goods/services** not allocable to the project
- Salary rate limits (**$225,700** Jan '25)

Noncompliance Violations Include:

- Unapproved/restricted activities
- Not finalizing proposed state policy actions
- Failing to benefit rural areas broadly
- Missing reporting deadlines/requirements
- Failing to follow through on commitments
- Violating award terms and conditions
- Mismanagement, fraud, waste, abuse, or criminal activity

Noncompliance Consequences:

- Funds may be withheld, reduced, or recovered
- Must remedy within 90 days of notice (+/- remediation plan)
- Violations tied to technical score result in proportional funding recovery
- Violations not tied to technical score assessed on a case-by-case basis
- Funds withheld or recovered returned to the U.S. Treasury

***Note**: Direct costs are tied to specific projects while indirect costs support multiple projects. Both contribute to the administrative cost limit.*

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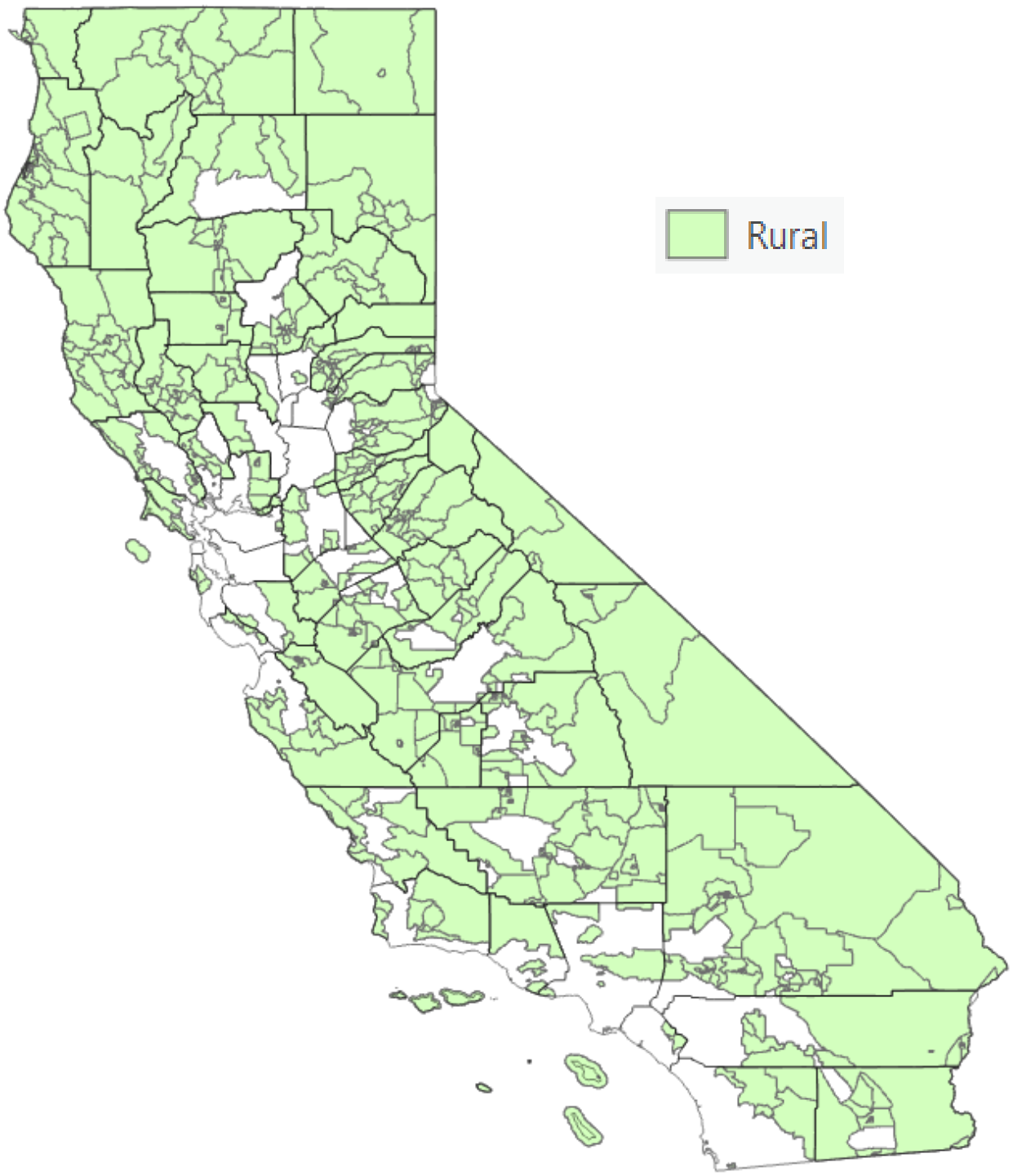
Rural in California

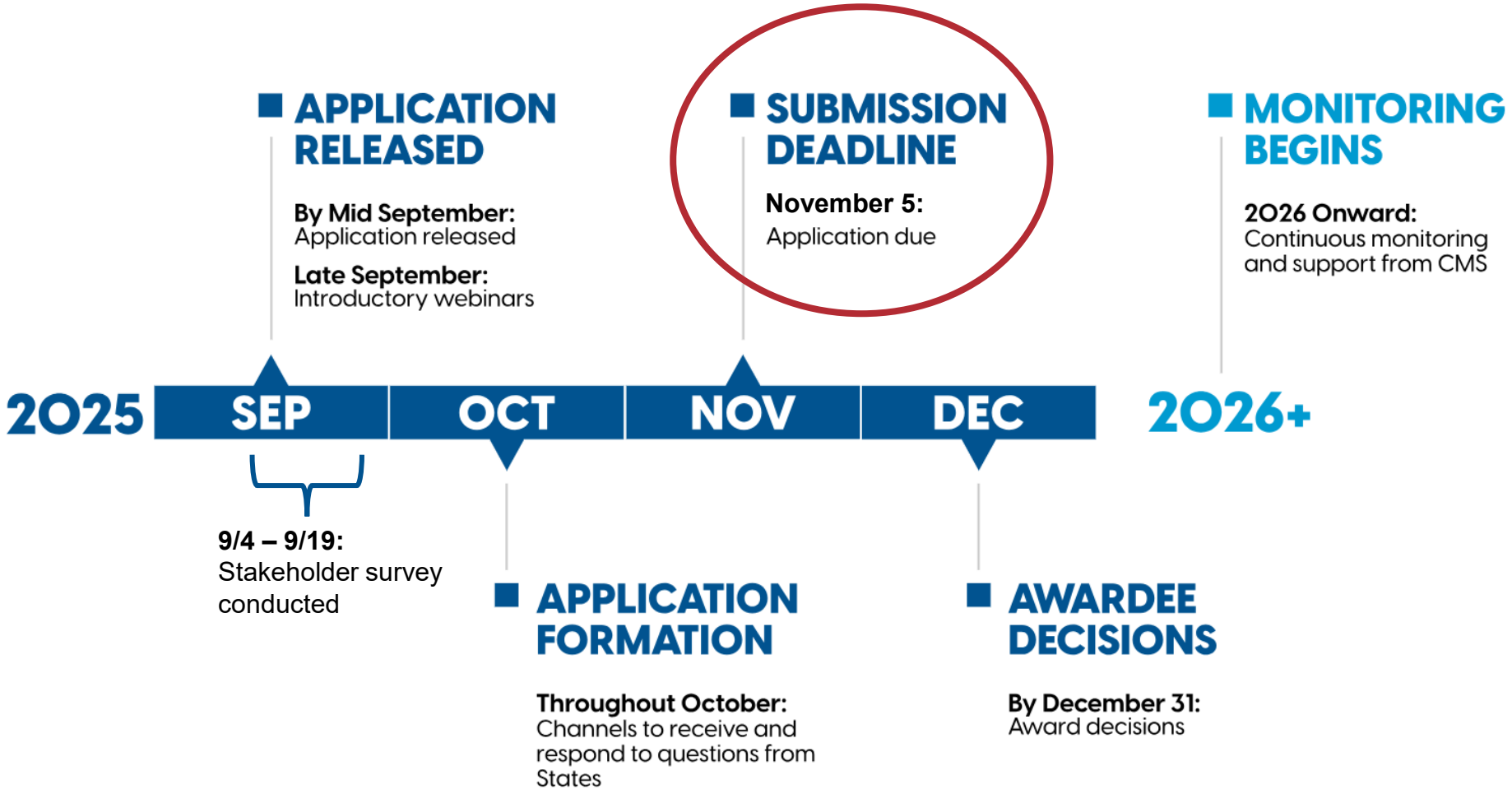
Federal Office of Rural Health Policy (FORHP) Rural Definition

- 82.1% of California is a rural census tract
- 2,760,120 people (7% of Californians) live in these rural census tracts
- 57 of California 58 counties have rural populations
- 279 Rural Health Clinics (RHC)
- 296 Federally Qualified Health Centers (FQHC)
- 76 rural hospitals
- Approx. 76% of rural census tracts are in a Primary Care Health Professional Shortage Area

Data based on FORHP and U.S. Census American Community Survey estimates.



Program timeline



350+ stakeholders participated in the survey

43% Non-Providers

26 County Governments or Departments

15 Affiliated with City or Local Governments

25 Academic Centers

28 Community Based Organizations

9 Health Plans

57% Health Care Providers

60 Hospitals including Critical Access

36 Federally Qualified Health Centers

11 Indian Health Service, Tribal Health or Urban Indian Health Organizations

11 Mental Health Programs

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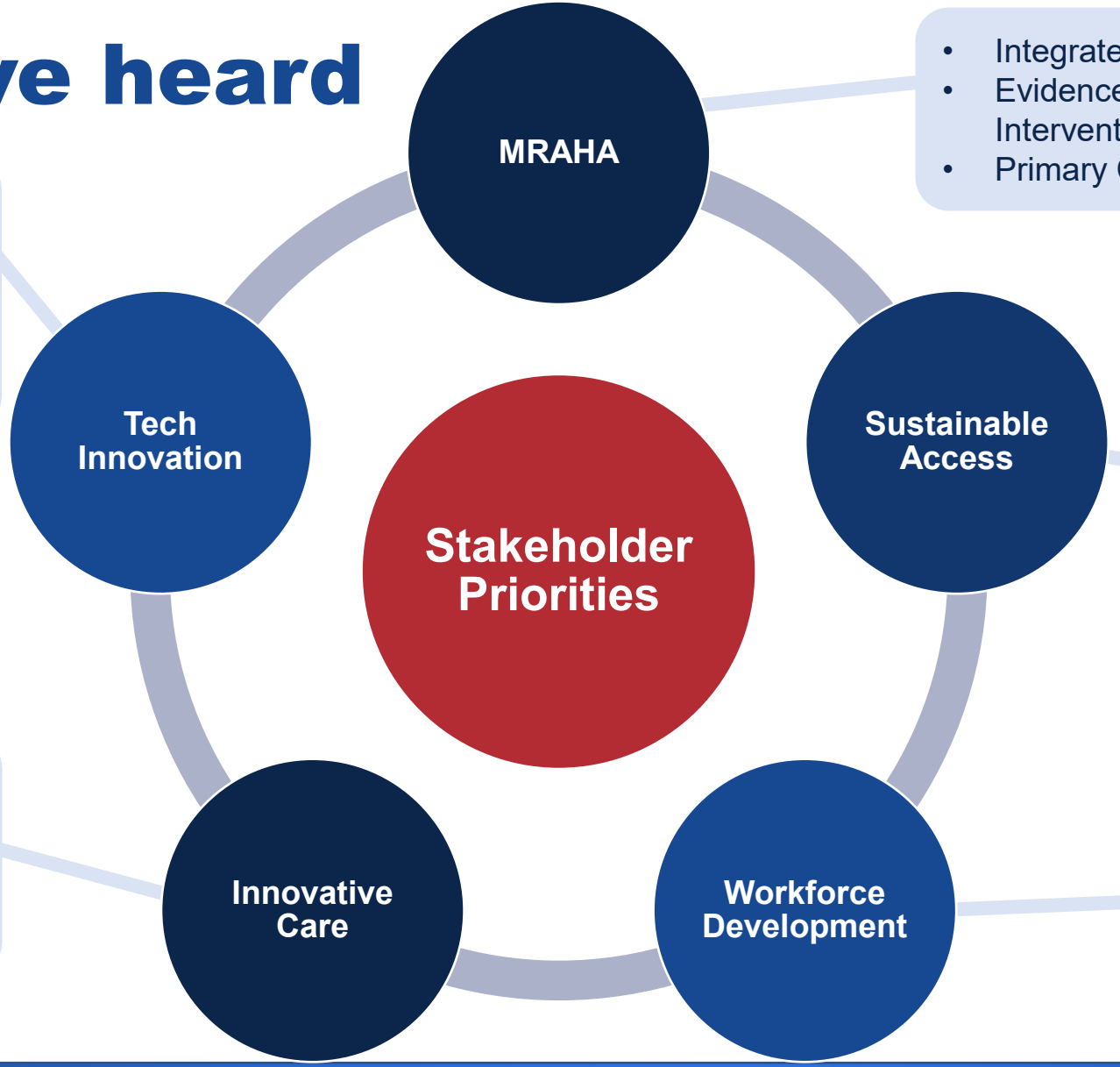
What we've heard



- Integrated Care (Chronic Care Model)
- Evidence-Based Lifestyle and Behavioral Interventions
- Primary Care Expansion

- Regionalizing/Sharing Services
- Hub-and-Spoke Networks
- Telehealth for Specialty Services

- Loan Repayment
- Retention Bonuses
- Rural Residency/Fellowship

- Upfront Funding, Support, and Research for Alternative Payment Models
- Reducing Administrative Burden

- Patient Website Portals with Reminders, Resources, and Scheduling
- Text/Call Reminders
- Smartphone Integration
- Remote Monitoring

Key takeaways from stakeholder feedback

Consistent priorities identified across all stakeholders:

- Workforce Development
- Improving chronic disease management/prevention
- Optimizing health care delivery
- Technology based solutions to expand access and promote prevention and management

Additional key input:

- Expand access to care for rural populations through innovative technology and expansion of community-based providers
- Regional collaboration within the communities to ensure shared resources, best practices, and coordination of services

Stakeholder/partner engagement

- HCAI held six community Listening Sessions:
  - One for each Rural Health Transformation goal
  - One for Community Health Workers
  - Over 900 attendees across the six Listening Sessions
- Over 100 rural health stakeholders submitted feedback and provided information through our State Office of Rural Health mailbox
- Upcoming Initial Tribal consultation occurring on Oct. 17

Next steps

- HCAI will submit the Rural Health Transformation Program proposal by Nov. 5
- HCAI will continue to provide updates through:
  - Rural Health mailing list, https://hcai.ca.gov/mailing-list/
  - The State Office of Rural Health webpage, https://hcai.ca.gov/workforce/health-workforce/california-state-office-of-rural-health/
- The Council will continue receive updates and additional information on the Rural Health Transformation Program in future meetings

Questions?