



Running the portfolio: Why RHTP requires performance-integrated grants management



As states move from planning to implementation of the Rural Health Transformation Program (RHTP) initiatives, attention is understandably focused on workforce pipelines, access to care, and technology modernization. Yet the ability to achieve these objectives will depend just as heavily on how funding is operationalized and monitored once awards are made.

RHTP is not a traditional grant program. It operates through a stage-gate funding model in which continued funding is explicitly tied to demonstrated progress against performance milestones. Failure to meet these milestones can not only result in remediation, but also in delayed funding, reduced future allocations, or recovery of previously disbursed funds. In today's environment, grants management should go beyond simply ensuring compliance and play a key role in implementing programs effectively.

We refer to this shift as performance-integrated grants management, an operating model in which financial oversight, program performance, and regulatory compliance are managed as a single, continuous system rather than separate functions.

Fragmentation remains the greatest structural risk

Historically, health and human services funding has been administered across multiple agencies, each with its own reporting structures, timelines, and compliance processes. While this reflects the diversity of program objectives, it also creates operational fragmentation for states and subrecipients managing overlapping requirements.

The consequences are familiar: projects designed in silos, data systems that do not align, and reporting cycles that lag operational realities. Even well-designed programs struggle to demonstrate impact when financial and performance data are disconnected.

Within RHTP portfolios, this risk is amplified. States must coordinate across multiple funding categories, agencies, and delivery partners while maintaining visible performance at regional, county, and local levels, all while adhering to strict administrative cost caps. In this context, fragmented grants operations are not only inefficient but also pose significant strategic challenges.



Performance and compliance are no longer separable

A common assumption is that strong compliance with requirements, such as Uniform Guidance in the Code of Federal Regulations (2 CFR 200, et seq.) and timely reporting, protects programs from failure. In practice, while grantees of regulated funding with performance mandates, such as RHTP, may remain technically compliant with minimal documentation requirements, failure to achieve mandated programmatic outcomes is still considered noncompliant.

This means that timely reporting and baseline CFR documentation for performance-based funding are often poor indicators of successful funding use. It is equally, if not more, important to have effective controls to monitor and manage performance against milestones and mandates. Such controls enable active risk management and support successful outcomes throughout the implementation of programs. Performance-integrated grants management addresses this by embedding compliance directly into program design and execution across the full grant lifecycle, from award structuring through fund deployment, performance monitoring, and closeout.

This begins by treating the cooperative agreement as a living performance map, not as a static legal document. Each required outcome, whether related to chronic disease management, workforce recruitment, or access expansion, is linked to both leading and lagging indicators. Financial spending is then tracked alongside operational progress, not after the fact.

When funding flows and performance milestones are monitored together, states gain early warning signals:

- Is a high-performing subrecipient at risk of missing spending deadlines due to procurement or hiring delays?
- Are funds being drawn down faster than services are scaling, signaling sustainability risk?
- Are certain initiatives consistently underperforming relative to investment levels?

These inquiries extend beyond the scope of an audit; they are critical management questions. Effectively addressing them requires integrating financial, programmatic, and compliance data.

Oversight becomes enablement, not enforcement

This model fundamentally changes how subrecipient oversight functions. Instead of focusing primarily on whether required forms were submitted, oversight shifts toward whether programs are on track to achieve intended outcomes and what support is needed when they are not.

When performance data and financial drawdowns are viewed together, states can:

- Target technical assistance where it will have the greatest impact
- Intervene early when delivery is stalling
- Reallocate resources toward initiatives demonstrating traction
- Redesign or sunset programs that are not performing.

In this model, grants management becomes the central nervous system of the transformation portfolio, connecting policy intent, operational delivery, and financial accountability into a continuous feedback loop.



Architecture matters: building grants into the transformation operating model

States that integrate grants management into broader transformation operating models are better positioned to manage complex stakeholder ecosystems and sustain initiatives beyond the funding period. This approach requires:

- Standardized frameworks for performance outcomes and spending milestones across all initiatives
- Prefunding assessments of third parties, including partnering agencies, and subrecipient readiness (in terms of capacity and capability) to execute programs according to mandated outcomes
- Integrated data platforms that link financial and performance metrics for effective decision making
- Cross-agency governance structures with genuine decision authority
- Active funding-use risk assessments to identify and proactively address implementation deficiencies
- Performance-driven templates that align program design with objectives outlined in the approved funding plan and ensure individual expenditures support program purposes
- Portfolio-level visibility for executive leadership.

When these elements are in place, funding oversight supports strategic portfolio operations, enabling leaders to concentrate resources where they are producing results and make informed and timely decisions on program shifts.



The first 90 days will shape the next five years

The choices made during the initial 90 to 120 days of RHTP implementation will significantly influence whether states can adjust their strategies later on or if underperforming initiatives become entrenched due to contract structures, reporting cycles, and budget commitments.

States that move quickly to:

1. Map every initiative to required CMS metrics
2. Design programs and subrecipient agreements based on mandated outcomes and pre-use readiness findings
3. Align program outcomes and subaward milestones to reporting and funding cycles
4. Establish executive-level portfolio reviews tied to funding decisions are far better positioned to manage performance risk before it becomes compliance risk.

The opportunity and the risk

The opportunity cost of maintaining traditional grants management models under RHTP is significant. Passive compliance increases the likelihood of delayed reporting, funding recovery, and missed opportunities to scale what works.

Conversely, states that empower their grants management functions to operate as performance engines will be better positioned to:

- Protect continued funding
- Demonstrate credible outcomes to CMS
- Accelerate learning across initiatives
- Build durable capabilities that persist beyond the grant period.

In a program of this magnitude, grants management is not simply about safeguarding dollars. It is about safeguarding momentum and ensuring that procurement and program teams work hand in hand to achieve the program mission.

A path forward

As RHTP initiatives scale, states have a narrow window to assess whether existing grants management practices are fit for the operational demands ahead. Strengthening integration between funding oversight, performance tracking, and program governance can reduce administrative burden while improving accountability and delivery.

The way states design their grants infrastructure today will determine whether RHTP serves as a catalyst for lasting change or becomes another well-funded program that struggles to convert investment into meaningful impact.

How KPMG can help

At KPMG LLP (KPMG), our Rural Health Transformation Orchestration (RHTO) approach provides states with the framework and experience needed to navigate this complexity. We bring tested experience in large-scale healthcare and state and local government transformations, having supported numerous states in complex program implementations. Our approach—with portfolio rationalization at its core, spanning strategic services, governance, quality assurance, and change management—helps states deliver on their RHT commitments while building sustainable capabilities for the future.

Contact us

Contact us, and see how an RHTO approach can accelerate your rural health transformation journey.

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