The race to obligate

How states can move Rural Health Transformation Program funds from award to impact

State health agencies are navigating a critical milestone: the October 30 deadline to obligate Rural Health Transformation Program (RHTP) funds.[1] While states are highly motivated to meet the obligation requirement, the challenge is more than just administrative fund routing. The real objective is ensuring that funds reach organizations that will ultimately deliver services, improve access, and strengthen rural health systems.

Some states are meeting the obligation deadline by allocating funds to other state agencies for future distribution. While this approach can satisfy immediate obligation requirements, it may also delay key program design decisions and postpone funding from reaching the subrecipients responsible for driving outcomes.

As the deadline approaches, states face a dual mandate: they must move quickly while maintaining compliance with Notice of Award requirements, federal regulations, and Centers for Medicare & Medicaid Services (CMS) expectations. States that succeed will be those that can accelerate obligation while establishing the governance, monitoring, and operational structures needed to confirm that funds are deployed effectively and responsibly.

The immediate challenge: speed and compliance

The next few months will be critical for states seeking to obligate Year 1 RHTP funds. Achieving that goal requires reducing administrative burden where possible while preserving strong oversight and accountability. States are increasingly looking for practical approaches that enable rapid deployment without creating long-term compliance risks or implementation challenges.

Rather than treating obligation as a standalone milestone, leading states are viewing it as part of a broader transformation strategy. This means designing processes that not only allow funding to be obligated quickly but also create a clear path to implementation, monitoring, and measurable outcomes.

Simplifying the applicant experience

Traditional grant applications often require significant administrative effort from prospective applicants. While comprehensive applications may provide extensive information, they can also discourage participation from rural providers, transportation organizations, technology vendors, workforce development entities, academic institutions, and community-based organizations that may have strong ideas but limited grant-writing capacity or resources.

States can accelerate participation by simplifying application requirements, using Letters of Interest or other streamlined submission processes, and providing technical assistance before solicitations are released.

Additional methods to accelerate participation include:

- Grant writing workshops
- Informational webinars
- Academic partnerships
- Focus groups with potential applicants and communities
- Applicant support programs

Reducing administrative friction and continuously refining grant requirements based on participant feedback not only speeds application development but also broadens the pool of potential applicants, helping states identify innovative solutions that may otherwise have remained undiscovered.

Building scalable subrecipient monitoring

Obligating funding is only the first step. Once awards are made, states must be prepared to oversee dozens of new subrecipients while maintaining compliance, financial accountability, performance reporting, and audit readiness. Many state agencies are simultaneously managing multiple initiatives with limited resources, creating a need for scalable oversight approaches.

States can establish technology-enabled monitoring processes that centralize reporting requirements, track compliance activities, and support risk-based oversight. By conducting risk assessments of subrecipients, states can focus resources on organizations that pose the highest compliance risk while reducing administrative burden across the broader portfolio.

Developing monitoring frameworks early and clearly defining required documentation and expected outcomes at the time of grant award can help states avoid future compliance challenges while increasing confidence that obligated funds will be managed in accordance with federal requirements.

Expanding administrative capacity

Many state program offices operate under compressed timelines and limited staffing resources. At the same time, they are expected to stand up new funding programs, conduct procurements, manage stakeholders, and oversee implementation activities.

States may benefit from leveraging professional organizations, academic institutions, regional hubs, or sister agencies to support administration, technical assistance, compliance activities, and subrecipient engagement. When governed appropriately, these partnerships can expand capacity while maintaining accountability and transparency.

The goal is not to transfer responsibility but to augment existing state capabilities so obligation and implementation activities can move forward simultaneously. To maximize the value of these partnerships, states should establish robust budget tracking processes to monitor administrative costs, help ensure compliance with the 10% administrative cost cap, and preserve funding for programmatic outcomes.[2]

What high-performing states are doing differently

States that are moving quickly toward obligation are not simply accelerating existing grant processes. They are redesigning critical parts of the funding lifecycle to reduce friction, improve execution, and support long-term success.

- Using simplified Letters of Interest to quickly identify promising projects and funding opportunities before requiring more detailed submissions.
- Creating structured opportunities for applicants to connect with vetted technology and service providers that can support implementation.
- Establishing centralized support functions that coordinate procurement, grant management, compliance monitoring, communications, and stakeholder engagement activities.
- Investing early in governance, reporting, and risk management structures rather than waiting until after funding has been distributed.

A tested model for rapid and compliant obligation

One state participating in the RHTP adopted a centralized Transformation Management Office (TMO) model to coordinate multiple initiatives and accelerate execution across its transformation portfolio. KPMG LLP supported the effort by helping establish governance structures, decision-making processes, executive reporting mechanisms, integrated project plans, risk management tools, and stakeholder communications strategies.

To accelerate funding deployment, the program combined strategic procurement support, stakeholder engagement, solicitation development, grant administration processes, and compliance planning. This included drafting funding solicitations, facilitating stakeholder engagement sessions, developing compliance frameworks aligned with federal requirements, and implementing grant management capabilities designed to support efficient funding distribution.

How KPMG can help states meet the deadline

With the October 30 deadline rapidly approaching, states need practical support that enables both speed and compliance. Through its experience supporting rural health transformation efforts, KPMG has helped states address many of the challenges currently facing RHTP leaders.

- Establishing TMOs that provide governance, coordination, escalation management, executive reporting, and program oversight.
- Designing and executing funding solicitations that accelerate obligation while supporting program objectives and compliance requirements.
- Developing compliance frameworks and subrecipient monitoring approaches aligned with federal requirements and audit expectations.
- Implementing grant and procurement management processes supported by technology-enabled solutions.
- Supporting stakeholder engagement, communications, and change management efforts necessary to drive participation and adoption.
- Developing integrated project plans, risk registers, implementation roadmaps, and performance measurement frameworks that support program execution beyond the obligation deadline.

The path forward

States that act now to streamline funding processes, build scalable oversight capabilities, establish clear governance structures, and develop practical implementation pathways will be better positioned to maximize the impact of RHTP investments.

Success will not be measured solely by whether funds are obligated by October 30. It will be measured by whether those dollars reach the organizations delivering care, improving access, strengthening rural health infrastructure, and advancing better outcomes for rural communities. The states that move quickly, strategically, and compliantly will be best positioned to convert funding into lasting transformation.

Sources

[1] Centers for Medicare & Medicaid Services. Notice of Funding Opportunity Webinar. U.S. Department of Health and Human Services, 19 Sept. 2025. Rural Health Transformation Program Applicant Webinar Presentation. CMS Webinar Presentation.

[2] Centers for Medicare & Medicaid Services. Rural Health Transformation Program Frequently Asked Questions. U.S. Department of Health and Human Services, 2025, RHTP Frequently Asked Questions.

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