

State procurement strategies for rural health transformation



A new era for rural health

The enactment of Public Law 119-21, which provides \$50 billion in funding through the Rural Health Transformation Program (RHTP), presents a unique opportunity for states to revolutionize healthcare quality, access, and outcomes in rural communities.¹ However, states face significant challenges in navigating compressed timelines and complex procurement regulations. Failure to comply or execute effectively can result in withheld or recovered funds, while successful implementation can unlock additional funding in future program years.

To meet these compressed timelines, states must consider strategies for rapid, effective, and compliant procurement development and subaward decisions.

The three pillars of RHTP procurement success

Successful execution of the RHTP demands a strategic, multifaceted approach to procurement. At the same time, all subawards issued by states under the RHTP must comply with the terms and conditions that the states themselves are subject to, including the Uniform Guidance standards defined in 2 CFR Part 200.²

To navigate these requirements and maximize impact, states should focus on three interdependent activity pillars:

1. Proactive planning and governance
2. Agile and compliant sourcing
3. Strategic and outcome-focused contracting.

Key questions for your RHTP leadership:

- Does our current procurement staff have the capacity and expertise to handle the anticipated volume of RHTP subawards?
- Have we established a cross-agency governance body to ensure alignment and rapid decision-making on procurement strategy?
- Is our sourcing strategy agile enough to meet compressed timelines while ensuring full compliance with federal guidelines?



These pillars provide a framework for states to help achieve compliance, efficiency, and ultimately, sustainable rural health transformation.

Pillar 1: Building a foundation with proactive planning and governance

Effective procurement begins long before a solicitation is released, requiring robust planning, coordination, and governance to anticipate needs and align diverse stakeholders. This proactive foundation is critical because traditional request-for-proposal (RFP) processes are notoriously time-consuming, a challenge made worse by the competing priorities that procurement leaders often juggle. The complexity multiplies when RHTP lead agencies partner with other state departments, adding more layers of input, review, and approval that can cause significant delays. Establishing a strong governance framework from the outset is therefore essential to build internal capacity and manage these inherent challenges.

Bolstering legal and procurement capacity

The anticipated volume and complexity of RHTP subawards are likely to significantly strain existing state legal, procurement, and program teams. Proactive capacity building is essential to prevent delays and ensure compliance.

Key actions for state leaders:

- **Assess current staffing:** Evaluate the existing capacity of legal, procurement, and program teams against the projected needs for RHTP subawards.
- **Invest in dedicated resources:** Consider hiring or reassigning dedicated personnel to support RHTP procurements and contract management. For example, **Georgia's** RHTP application anticipates over 300 new subaward agreements and plans to hire two dedicated attorneys.³ Similarly, **Texas** intends to dedicate five contract specialists, one contract administrator, and two attorneys specifically for RHTP contracts and subawards.⁴
- **Leverage external expertise:** Engaging third-party grants managers or auditors can provide critical capacity and compliance expertise, especially for managing the end-to-end grants process and adhering to federal regulations (2 CFR 200). Several states, including **Indiana**, **Georgia**, **Wisconsin**, and **Texas**, are planning initial awards to such third parties or related systems to manage concurrent procurements and oversee subawards.^{3, 4, 5, 6}

Establishing collaborative procurement governance

RHTP initiatives often involve multiple state agencies and external partners. Effective governance can provide unified objectives, streamlined approvals, and coordinated execution to help prevent silos and delays.

Key actions for state leaders:

- **Convene advisory committees:** Establish cross-functional committees with representatives from government and related non-profit groups to oversee the procurement process. For example, **Colorado** has formed a Rural Health Transformation Advisory Committee to manage priorities and inputs for its RFP process.⁷ **Rhode Island** has developed several governance committees, including a cabinet-level executive team, interagency leadership team, and a Rural Stakeholder Advisory Committee, to allocate responsibilities and ensure broad input.⁸
- **Define roles and responsibilities:** Use Memoranda of Understanding (MOUs) or similar agreements to clearly define the roles, responsibilities, and legal authority of each participating agency or entity in competitive procurements.
- **Centralize oversight:** Designate a central RHTP program governance function to provide inputs and approvals to procurement drafting teams to help ensure consistency and prevent delays caused by unfamiliarity with project objectives.



Developing a strategic procurement roadmap

A clear roadmap helps states differentiate between immediate and longer-term needs, allowing for staggered procurement timelines and optimized resource allocation.

Key actions for state leaders:

- **Categorize projects:** Distinguish between “shovel-ready” projects that can be procured quickly and longer-term initiatives requiring more definition. **Maryland** and **New Mexico** are creating distinct streams for subawards based on this distinction, allowing for immediate impacts while gathering better information for complex future procurements.^{9, 10}
- **Plan for flexibility:** Incorporate mechanisms for both direct awards and competitive bids, aligning with state and federal regulations.
- **Sequence procurements strategically:** Develop a phased approach to procurements, ensuring that early milestones support downstream projects. An incentive payment structure for the deployment of a minimum viable product (e.g., a health data portal) can allow subsequent projects to begin on schedule.



Pillar 2: Agile and compliant sourcing

Once planning is complete, states must select and execute sourcing methods that are both efficient and fully compliant with federal guidelines, optimizing for speed and effectiveness.

Selecting an appropriate sourcing method

Before releasing procurements, RHTP lead state agencies must carefully select the appropriate sourcing method available under state policies, in consultation with their procurement department. In making these decisions, states must consider the timing of their planned initiatives, dependencies, and the lead-time required to develop procurements.

Key actions for state leaders:

- **Utilize Invitations to Bid (ITBs) for clearly defined needs:** If the required goods or services are clearly definable, then an ITB can award to the lowest-cost responsive bidder efficiently.
- **Employ Invitations to Negotiate (ITNs) for complex solutions:** ITNs can offer an improvement over traditional RFPs by requiring

less up-front development of a pro forma contract, enabling rapid deployment of off-the-shelf solutions, and improving the state’s negotiating position.

Consider alternative contract types for flexibility:

- **Amending existing agreements that already include similar scope:** Where permitted, amending existing contracts that already include similar scope of services can expedite service scaling. States cannot add new scope to a contract that was not part of the competitive bid. **Iowa** plans to issue amendments to 20 existing contracts to scale services to rural beneficiaries and incorporate new rural health service lines upon receiving RHTP funds.¹¹ Additionally, Iowa is also planning to rerelease a competitive RFP to include more centers in its “Hometown Connections” centers of excellence program, which aims to strengthen care coordination and service delivery in rural areas.
- **Bench contracts or staffing contracts:** These can support faster response times for hard-to-estimate quantities and timing, such as

project management, testing, or trained medical staff. **Georgia** intends to use preapproved contractors maintained by the Georgia Department of Administrative Services for parts of its RHTP program.³

- **Prequalified vendor lists:** Ensure these lists remain current and include a diverse pool of qualified sources to maximize competition.

Leveraging cooperative purchasing and partnerships

Cooperative agreements and strategic partnerships can enhance purchasing power, reduce administrative burden, and accelerate procurement processes.

Key actions for state leaders:

- **Use cooperative contracts:** For IT products and services (e.g., health data systems, SaaS applications, cloud services), cooperative contracts, such as those managed by the National Association of State Procurement Officials (NASPO), can offer an avenue for expedited procurement development.
- **Organize intrastate cooperative procurements:** Partner with other state agencies, local governments, or nonprofits to enhance purchasing power and achieve economies of scale, particularly benefiting rural providers.
- **Collaborate with rural health ecosystem partners:** Partnering with organizations such as State Offices of Rural Health, State Rural Health Associations, Health Information Exchange (HIE) or Health Data Utility (HDI) networks, and Medicaid-based Accountable Care Organizations (ACOs) can maximize economies of scale and improve patient access through telehealth and other integrations. For example, Rhode Island plans to have the **Rhode Island** Health Center Association, a nursing home nonprofit, oversee fund allocation to Federally Qualified Health Centers (FQHCs) involved in multiple RHTP initiatives.⁸
- **Embed contracts within grant awards:** In certain contexts, contracts can be embedded within grant awards, enabling recipients to effectively purchase goods or services in compliance with federal and state guidelines.



Pillar 3: Strategic and outcome-focused contracting

The ultimate goal of RHTP procurements is to achieve tangible improvements in rural health. This requires designing solicitations and contracts that not only comply with regulations but also incentivize vendor performance, drive innovation, and foster long-term sustainability.

Developing clear program objectives, requirements, and evaluation criteria

Using collaborative RHTP program governance, states can develop clear requirements, program objectives, and reusable program narratives and attachments, allowing for greater consistency across procurements. Simplified technical requirements and page limitations can also expedite response and evaluation periods.

Key actions for state leaders:

- **Create reusable procurement narratives and attachments:** Utilize RHTP program narratives submitted to CMS to provide outcome statements within solicitations. For example, **Maryland** plans to use its central program governance to establish procurement guidelines, simplified templates, and model contracts for select initiatives.⁹
- **Clearly define pro forma contract requirements:** Utilize the RHTP governance structure to approve a concise set of “must-have” technical requirements aligned to the state initiative, including planned services, features, and user groups. Be clear about contract outcomes and performance requirements, but also include change mechanisms to scale services to multiple sites or users over time. A state may, for example, require a vendor to support phased deployments, consumption forecasting, or future enhancements.

- **Require solution demonstrations:** Incorporate mandatory solution demonstrations into the evaluation process, enabling RHTP evaluators or selection committees to view technology in action prior to contract awards.
- **Emphasize desired characteristics:** Write programwide evaluation criteria that emphasize characteristics such as risk-sharing, scalability, sustainability, and collaboration across the RHTP partner ecosystem. **Wyoming's** RHTP narrative, for example, requires respondents to explain how their solution will help achieve RHTP program objectives, and demonstrate its sustainability beyond the funding period.¹²

Structuring outcome-based payments and incentives

Moving beyond time-based billing, outcome-focused payment models can incentivize vendors to deliver measurable results.

Key actions for state leaders:

- **Prioritize tangible progress:** Structure payment models to reward successful, timely completion of project milestones. For example, paying for successful user acceptance testing (UAT) completion and scaled implementation may be more aligned with state goals than paying for estimated effort.
- **Apply incentive funds strategically:** Use incentive payments for crucial objectives, such as the timely deployment of a minimum viable product (e.g., a health data portal), to enable downstream projects to begin on schedule.
- **Encourage vendor investment and risk-sharing:** Ask vendors to commit investment funds as part of their bids or to partner with one another. **Wyoming** plans to require technology providers to partner on proposals to ensure interoperability and to commit a portion of the overall purchase price to manage financial risk.¹²

Facilitating group purchasing and long-term value

Awarding and negotiating statewide contracts can significantly benefit local rural entities by leveraging economies of scale.

Key actions for state leaders:

- **Explore intergovernmental agreements (IGAs):** Where allowed by state statute, IGAs enable two or more government entities to share resources and expertise for a particular initiative, allowing for expedited contracting timelines. These agreements



are well suited for public health initiatives with multiple stakeholder groups, and could aid in coordinating services statewide across various jurisdictions so long as the parties can agree on funding, decision-making authority, and terms.

- **Negotiate statewide contracts:** Where more time is available for contract development and negotiation, establish statewide contracts to facilitate group purchasing by local rural entities, providing resource-constrained providers with faster, more cost-effective deployments. **Wisconsin's** narrative highlights plans to offer providers the opportunity to adopt a shared digital backbone, allowing resource-constrained rural providers faster, more cost-effective deployments, and improve patient access through telehealth and other integrations.⁶
- **Promote health information interoperability:** Conduct competitive procurements to award health cooperatives (such as an ACO or Clinically Integrated Network (CIN)) for improving health information portability and interoperability across multiple providers to help maximize value through group purchasing and cooperation. **Texas** plans such a procurement to deploy healthcare portals that promote interoperability with common consumer technologies.⁴

Conclusion: The path forward for rural health transformation

The success of rural healthcare transformation hinges on the timely and effective execution of numerous program elements, with well-structured procurement strategies forming a critical backbone. The \$50 billion investment presents a unique opportunity, but it demands meticulous planning, proactive governance, flexible sourcing, and strategic contracting.

By diligently adhering to state and federal guidelines and adopting the innovative sourcing and contracting strategies outlined in this paper, state governments can maximize the impact of the Rural Health Transformation Program. This will not only provide compliance and efficient deployment of funds but also help foster sustainable improvements in rural health systems, ultimately benefiting communities nationwide for years to come.

Contact us

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

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At 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.