



From funders to stewards: Governing the subrecipient ecosystem for RHTP success



The success of the Rural Health Transformation Program (RHTP) will be realized in rural clinics, community health centers, workforce organizations, and local public health departments: the subrecipients responsible for turning funding into real services. While this distributed delivery model is essential for reaching rural populations, it is also where the greatest operational and compliance risk resides.

With states required to deploy funding across multiple categories and hundreds of delivery partners, subrecipient ecosystem management is not an administrative detail but rather the primary execution lever of rural health transformation.



From contract management to ecosystem stewardship

Traditional subrecipient management often defaults to financial transactional oversight that largely revolves around documenting and demonstrating that dollars received equals dollars spent. This process of routine and replicable subrecipient procurement, agreement formation, and monitoring can belie broader, more comprehensive approaches that are needed to manage subrecipient performance, in addition to compliance, when using outcome-mandated federal funding such as RHTP.

In essence, states looking to rely on public and private sector entities to implement large portions of their approved RHTP plans and meet prescribed performance aims should go beyond traditional baseline approaches to subrecipient procurement and monitoring, and include processes for capability and capacity building, goal setting, performance coaching, and proactive management of both substantive (policy) goals and financial risks and requirements.

We view this approach to subrecipient-driven use of regulated performance-based funding as a Subrecipient Ecosystem Stewardship Model that at its core is about treating subrecipients not as isolated entities to be monitored and overseen but rather as delivery partners to be supported through a coordinated delivery network aligned to meet shared performance goals.

Three reinforcing pillars enable this funding use model:

01

Goal setting and subgrant award alignment

02

Program delivery enablement

03

Networked learning and performance improvement

Pillar 1:

Action plan and subgrant alignment through intelligent onboarding and performance mapping

For a program as broad as the RHTP, which mandates funding for initiatives spanning workforce development, behavioral health access, infrastructure, and technology modernization, a one-size-fits-all subaward agreement is rarely effective. Instead, subawards should be tailored not only for baseline procurement and usage rules in the Code of Federal Regulations but also to mirror the nuanced mandates of specific use categories, along with requirements that reflect an individual or class of subrecipients' level of operational maturity and delivery capability.

For example, a community college building a rural nursing pipeline may require milestone-based payments tied to enrollment and credentialing outcomes, while a rural hospital expanding telehealth capacity may need up-front infrastructure funding followed by utilization and access metrics. Treating these initiatives identically at the contracting level obscures risk and weakens performance accountability.

For such differing initiative types and intended outcomes, each agreement should explicitly map local activities and metrics back to the state's Cooperative Agreement objectives. This creates a clear line of sight from local delivery to statewide performance commitments, and helps ensure that every dollar spent at the community level contributes to required CMS outcomes.



Equally important, each of the above agreements should be further shaped by the experience, capability, and capacity of the intended subrecipients to be entrusted with carrying out those specific funding use aims. To achieve this, a pre-award/pre-use risk and readiness assessment of subrecipients, tailored to evaluate realistic expectations for subrecipients executing such projects, could be performed as part of the subrecipient vetting and agreement formation. Observed potential performance risks could then be gauged for severity and possible consequences, and used to decide whether to proceed with the evaluated subrecipient and potentially create conditionals, benchmarks, and other safeguards in the agreement that enable ongoing project delivery accountability.

Pillar 2:

Program delivery enablement through proactive capacity building

Many organizational partners to a state in implementing RHTP plans have proven success with rural healthcare service delivery. However, that success does not always translate automatically into having robust capacity to manage federal grant funding programs, inclusive of creating and maintaining performance metrics, data analytics, progress monitoring, and regular outcomes reporting. Indeed, the highest-risk subrecipients are often not the smallest, but rather the largest or longest-standing ones with “tried and true” means for delivering rural health services. They sometimes lack a sense of the need to build processes and safeguards into their operations to manage federal grant use outcome monitoring and documentation and reporting compliance complexities. In this, would-be subrecipient overconfidence is as much a threat to grant use success as inexperience.

For both new and experienced subrecipients, applying an ecosystem stewardship model approach helps identify the type and degree of potential program implementation hurdles and target early-stage interventions and investments into program designs, technical assistance, templates, and other innovations to support successful program execution and performance compliance among the range of diversely situated subrecipients.

For example, a state could use the above-mentioned pre-award/pre-use risk and readiness assessments to define gaps in each subrecipient's capacity and capability to not just deliver intended healthcare services but also tend to grant use requirements and translate those findings into tailored program execution plans for each subrecipient, beginning with program design and early-stage implementation. Such proactive program delivery support could be structured as a centralized technical assistance hub from which all RHTP program teams draw from coach support and oversee subrecipient implementation.



Pillar 3:

Acceleration through networked learning, collaboration, and performance improvement

As project execution ensues across a state's RHTP portfolio, managing subrecipients in isolation can slow innovation and increase duplication of effort. Through a Subrecipient Ecosystem Stewardship Model's commitment to subrecipient coaching and partnership, the use of structured peer learning can dramatically accelerate implementation. For example, among a state's network of subrecipients that will be helping advance similar aims, communities of practice for workforce models, learning collaboratives for telehealth expansion, and cross-site performance reviews allow subrecipients to share operational solutions, not just outcome data.

These venues for idea exchange and peer performance evaluation, paired with active funding use risk assessments performed directly by a state, can further shape performance enhancing measures for integration into programs as they are being implemented, providing ongoing assurance that approaches to meeting RHTP policy aims and fund use rules are targeted, feasible, and peer supported.

By leveraging the collective talents, capabilities, and knowledge among similarly situated subrecipients, a state can create multiplier effects resulting in faster diffusion of effective models and reduced trial-and-error across communities. This shifts the state's role from compliance monitor to ecosystem convener, strengthening the entire rural delivery infrastructure.

Among other forms of assistance, recommended features within a dedicated technical assistance hub include:

- Program design and launch workshops
- Project profile templates by which to document program design decisions relative to fund use mandates
- Funding use checklist templates for evidencing how each cost relates to funding use allowances
- Performance metric creation workbooks and templates for data tracking and analysis
- Compliance and documentation workflows
- Active funding use performance assessments and related improvement plans
- Data validation and reporting readiness.

In furtherance of the above aims, the use of administrative funding to build this support infrastructure is a valuable investment in execution reliability across a state's subrecipient project delivery network. Critically, this proactive enablement should be designed to reduce burden while strengthening accountability by standardizing data elements, aligning reporting schedules, and consolidating documentation requirements across funding streams. This allows providers to focus more fully on service delivery while improving the state's oversight.

Early governance decisions shape long-term impact

As states embark on implementing approved RHTP plans, subrecipient governance choices made in the first six to nine months will largely determine whether states spend the remainder of the program scaling effective models or correcting structural weaknesses embedded in contracts, oversight structures, and data flows. Beginning with program design decisions and the process for defining, tracking, and measuring policy outcomes, the involvement and readiness of a state's subrecipient program delivery network will be crucial to ultimate success in realizing the state's RHTP goals.

In furtherance of instituting early-on and sustaining a Subrecipient Ecosystem Stewardship Model, states are better positioned to manage subrecipient performance from the outset, intervene before problems escalate, and direct assistance and reallocated resources toward initiatives to realize intended outcomes and impact if they:

1. Segment subrecipients by operational and compliance risk
2. Align subaward structures and payment milestones directly to RHTP performance metrics
3. Design coaching, oversight, and monitoring approaches that integrate financial, programmatic, and data quality signals.

In this context, ecosystem stewardship is about not only providing support but also designing a governance and accountability framework that enables rapid learning, disciplined execution, and adaptive course correction, the capabilities required to sustain rural health transformation beyond the grant period.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:  | [kpmg.com](https://www.kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. USCS038843-3A

How KPMG can help

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.

Contact us

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

James Case
Principal, Health and Government Operations
KPMG LLP
E: jcase@kpmg.com

Eveline Van Beek
Principal, Health and Government Operations
KPMG LLP
E: evelinevanbeek@kpmg.com

May Boucherak
Principal, Health and Government Operations
KPMG LLP
E: mboucherak@kpmg.com

KPMG would like to thank the authors of this article:

Augusta Feldmann
Manager, Advisory
KPMG LLP

Jeffrey Thomas
Director, Advisory
KPMG LLP