

Exhibit 2: Federal Compliance Requirements Rural Health Transformation Program

This document sets forth federal funding requirements applicable to federal funds under the Rural Health Transformation Program, authorized by Public Law 119-21 (The One Big Beautiful Bill Act), Section 71401. Subgrantees agree to comply with the federal regulations applicable to this award listed below and all other applicable federal statutes, regulations, executive orders, and requirements applicable to this agreement not described in this document. Awards are also subject to applicable provisions of [2 CFR Part 200](#) and 2 CFR Part 300. Awards are also subject to CMS reporting requirements.

Limitations - the following costs are not allowed, unless otherwise noted:

1. Pre-award costs.
2. Meeting matching requirements for any other federal funds or local entities.
3. Services, equipment, or supports that are the legal responsibility of another party under federal, State, or tribal law, such as vocational rehabilitation or education services.
4. Services, equipment, or supports that are the legal responsibility of another party under any civil rights law, such as modifying a workplace or providing accommodations that are obligations under law.
5. Goods or services not allocable to the project.
6. Supplanting existing State, local, tribal, or private funding of infrastructure or services, such as staff salaries.
7. Construction or building expansion, purchasing or significant retrofitting of buildings, cosmetic upgrades, or any other cost that materially increases the value of the capital or useful life as a direct cost.
8. The cost of independent research and development, including their proportionate share of indirect costs. See 2 CFR 300.477.
9. Funds related to any activity designed to influence the enactment of legislation, appropriations, regulation, administrative action, or executive order.
10. Purchase of covered telecommunications and video surveillance equipment (See 2 CFR 200.216) as well as financial assistance to households for installation and monthly broadband internet costs.
11. Meals, unless in limited circumstances such as:
 - a. Subjects and patients under study.
 - b. Where specifically approved as part of the project or program activity, such as in programs providing children's services.
 - c. As part of a per diem or subsistence allowance provided in conjunction with allowable travel.
12. Activities prohibited under 2 CFR 200.450 and the HHS Grants Policy Statement, including but not limited to: Paying the salary or expenses of any grant recipient, or agent acting for such recipient, related to any activity designed to influence the enactment of legislation, appropriations, regulation, administrative action, or executive order proposed or pending before the Congress or any State government, State legislature, or local legislature or legislative body.

13. Lobbying, but awardees can lobby at their own expense if they can segregate federal funds from other financial resources used for lobbying.
14. New construction is unallowable. Supplanting funding for in-process or planned construction projects or directing funding towards new construction builds is unallowable. Renovations or alterations, as described in category J of the program requirements and expectations use of funds section, are allowed if they are clearly linked to program goals.
 - a. Minor Alterations and Renovations projects include small modifications aimed at enhancing the functionality of the facility where the project will take place. In general, minor modifications to an existing building footprint, existing infrastructure, and existing rooms within a facility would be considered minor building alterations or renovations.
 - b. Hypothetical, illustrative examples include but are not limited to:
 - i. Interior Modifications: Installing or relocating interior walls and partitions to create new offices or meeting rooms.
 - ii. Lighting and Electrical: Upgrading light fixtures to more energy-efficient systems.
 - iii. HVAC and Plumbing: Replacing vents and thermostats for better climate control.
 - iv. Accessibility Improvements: Installing automatic door openers to enhance accessibility.
 - v. Security and Safety: Installing or upgrading security cameras or access control panels.
 - vi. Workspace Reconfiguration: Creating open office layouts or converting private offices to better suit needs.
 - c. Category J funding cannot exceed 20% of the total funding CMS awards States in a given budget period.
15. To replace payment for clinical services that could be reimbursed by insurance. We will not accept payments to clinical services if they duplicate billable services and/or attempt to change payment amounts of existing fee schedules.
 - a. If you plan to fund direct health care services, you must justify why they are not already reimbursable, how the payment will fill a gap in care coverage (such as uncompensated care or services not covered by insurance), and/or how they transform the current care delivery model.
 - b. Funding for provider payments, as described in category B of the program requirements and expectations use of funds section, cannot exceed 15% of the total funding CMS awards States in a given budget period.
 - c. Funding cannot be used for initiatives that fund certain cosmetic and experimental procedures that fall within the definition of a specified sex-trait modification procedure at 45 CFR 156.400 because that is beyond the scope of this program.
16. No more than 5% of total funding CMS awards to a State in a given budget period can support funding the replacement of an EMR system if a previous HITECH certified EMR system is already in place as of September 1, 2025.
 - a. Upgrades, enhancements, and added modules, interfaces, or functionality to existing EMR/EHR systems are allowable uses of funds and are not subject to the 5% limitation.
17. Funding towards initiatives similar to the “Rural Tech Catalyst Fund Initiative” (as described in the appendix) cannot exceed the lesser of (1) 10% of total funding awarded to a State in a given

budget period or (2) \$20M of total funding awarded to a State in a given budget period, and funding is subject to all restrictions and requirements described in the example initiative.

18. Clinician salaries or wage supports for facilities that subject clinicians to non-compete contractual limitations.
19. None of the funding shall be used by the State for an expenditure that is attributable to an intergovernmental transfer, certified public expenditure, or any other expenditure to finance the non-Federal share of expenditures required under any provision of law.
20. [SSA Section 2105\(c\)](#), paragraphs (1), (7), and (9) apply as funding limitations. These limitations are related to general limitations, limitations on payment for abortions, and citizenship documentation requirements for payments made with respect to an individual.

Examples of allowable costs:

21. States must focus funding on the following categories as described in Section 71401 of Public Law 119-21:
 - a. **Prevention and chronic disease:** Promoting evidence-based, measurable interventions to improve prevention and chronic disease management.
 - b. **Provider payments:** Providing payments to health care providers for the provision of health care items or services, subject to restrictions described in the funding policies and limitations.
 - c. **Consumer tech solutions:** Promoting consumer-facing, technology-driven solutions for the prevention and management of chronic diseases.
 - d. **Training and technical assistance:** Providing training and technical assistance for the development and adoption of technology-enabled solutions that improve care delivery in rural hospitals, including remote monitoring, robotics, artificial intelligence, and other advanced technologies.
 - e. **Workforce:** Recruiting and retaining clinical workforce talent to rural areas, with commitments to serve rural communities for at least 5 years.
 - f. **IT advances:** Providing technical assistance, software, and hardware for significant information technology advances designed to improve efficiency, enhance cybersecurity capability development, and improve patient health outcomes.
 - g. **Appropriate care availability:** Assisting rural communities to right size their health care delivery systems by identifying needed preventative, ambulatory, pre-hospital, emergency, acute inpatient care, outpatient care, and post-acute care service lines.
 - h. **Behavioral health:** Supporting access to opioid use disorder treatment services, other substance use disorder treatment services, and mental health services.
 - i. **Innovative care:** Developing projects that support innovative models of care that include value-based care arrangements and alternative payment models, as appropriate.
22. Additional uses designed to promote sustainable access to high quality rural health care services, as determined by the CMS Administrator, including:
 - a. **Capital expenditures and infrastructure:** Investing in existing rural health care facility buildings and infrastructure, including minor building alterations or renovations and equipment upgrades to ensure long-term overhead and upkeep costs are commensurate with patient volume, subject to restrictions in the funding policies and limitations.
 - b. **Fostering collaboration:** Initiating, fostering, and strengthening local and regional strategic partnerships between rural facilities and other health care providers to promote quality improvement, improve financial stability of rural facilities, and expand access to care.

23. Specific examples provided in the Notice of Funding Opportunity include:
- a. States can offer certain incentives to attract clinical workforce to work in rural areas provided the recipient of the incentive commits to working in rural areas for a minimum of **5 years**. Funding for local housing for students or trainees in rural areas may be allowable if included as part of an approved initiative within the scope of the RHT Program. Note that payment for student or trainee housing is limited to short-term (less than 6 months) housing for rotations.
 - b. Targeted technical assistance and training to help clinicians, medical coders, and other personnel better understand and use existing payment mechanisms already in place for care coordination services via Medicare and Medicaid or other payers.
 - c. Creating, implementing, or enhancing IT systems, software, or data sharing infrastructure to streamline population health management and care coordination by sharing resources, making referrals, and ensuring the completion of the referral process that help with coordinating amongst stakeholders and/or population health management. Promoting community engagement, awareness of programs, and community input on program development, structure, and oversight.
 - d. Training and integrating community health workers, care coordinators, peer support specialists, community paramedics, other auxiliary personnel, and behavioral health specialists into the care delivery system. Such personnel can then launch and support targeted outreach programs to engage and educate rural populations.
 - e. Developing multidisciplinary frameworks to formally integrate non-physician providers such as paramedics, community paramedics, emergency medical technicians, community health workers, and pharmacists into care teams, in collaboration with rural facilities.
 - f. Developing community-based programs to promote health literacy and healthy behaviors within a population, such as tobacco cessation programs, diabetes management education, or nutrition education.
 - g. Improving access to primary care and preventative services in innovative sites of care, such as schools, retail centers, public libraries, and home-based visits, and/or via mobile care delivery, such as use of mobile screening vans, community paramedicine, and mobile clinics.
 - h. Assistance in setting up the legal and organizational framework to create and operate a rural health network including, but not limited to, articles of incorporation, network operating practices, dues structure, and network decision making procedures.
 - i. Technical assistance to organizations developing or enhancing integrated rural health networks.
 - j. Technical assistance with restarting closed service lines, such as with recruitment, compliance, or infrastructure.
 - k. Technical assistance on legal and regulatory issues (such as antitrust navigation and contracting and data sharing between members).

- l. Needs assessments for rural communities related to strategic planning of services, including maternity care.
- m. Start-up funding to cover providers' initial staffing and equipment to support strategically targeted service line expansion linked to local need until enough volume develops to reach sustainability.
- n. IT systems, software, or data sharing infrastructure, such as health information exchanges or frameworks like The Trusted Exchange Framework and Common Agreement (TEFCA), that help with coordinating amongst providers and supporting population health management.

Additional Resources

- [Notice of Funding Opportunity \(NOFO\)](#)
 - Pages 11-12, 18-20, 97-118
- [Rural Health Transformation FAQ](#)
 - Section V. Use of Funds, pages 34-53