



North Dakota Legislative Council

Prepared for the Rural Health Transformation Committee
LC# 27.9120.01000
October 2025

RURAL HEALTH TRANSFORMATION COMMITTEE - BACKGROUND MEMORANDUM

COMMITTEE ESTABLISHMENT AND DUTIES

Pursuant to the *Supplementary Rules of Operation and Procedure* of the North Dakota Legislative Management, the Chairman of the Legislative Management has appointed ([appendix](#)) a Rural Health Transformation Committee. The committee consists of individuals serving on committees that were in place during the regularly convened session of the 69th Legislative Assembly and others as follows:

- Members of the Senate Human Services Committee;
- Members of the House Human Services Committee;
- Members of the Senate Appropriations - Human Resources Division Committee;
- Members of the House Appropriations - Human Resources Division Committee;
- The Chairmen of the House and Senate Appropriations Committees; and
- The Speaker of the House.

The Rural Health Transformation Committee has been assigned the following duties:

- Review the federal Rural Health Transformation Program;
- Recommend input to be provided to the Department of Health and Human Services on the state's application for a federal Rural Health Transformation Grant; and
- Develop legislation necessary to implement rural health transformation-related programs and to provide appropriations of federal funds relating to the programs for the remainder of the 2025-27 biennium.

FEDERAL RURAL HEALTH TRANSFORMATION PROGRAM

Overview

The One Big Beautiful Bill Act (Section 71401 of Public Law 119-21) authorizes the Rural Health Transformation Program to improve health care access, quality, and outcomes in rural areas. The program received \$50 billion to be distributed over 5 years from federal fiscal year 2026 through federal fiscal year 2030. Fifty percent of the funding is to be distributed as baseline funding and 50 percent of the funding is to be distributed as workload funding.

Baseline Funding

Baseline funding is to be distributed equally among all eligible states.

Workload Funding

Workload funding is to be distributed through a rural facility and population component and a technical score component. Each component has factors assigned that are categorized as data-driven, initiative-based, or state policy action. The factors and weighting components are as follows:

Rural Facility and Population		Technical Score	
Factor	Weight	Factor	Weight
Absolute size of rural population	10%	Consumer-facing technology	3.75%
Proportion of rural health facilities	10%	Data infrastructure	3.75%
Percent of uncompensated hospital care	10%	Emergency medical services	3.75%
Percent of state population in rural areas	6%	Health and lifestyle (prevention)	3.75%
Metrics that define a state as being frontier	6%	Medicaid provider payment incentives	3.75%
Area of state in total square miles	5%	Medicare and Medicaid dual eligibles	3.75%
Medicaid disproportionate share hospital payments	3%	Population health critical infrastructure	3.75%
		Rural provider strategic partnerships	3.75%
		Remote care services	3.75%
		Supplemental Nutrition Assistance Program waivers	3.75%
		Talent recruitment	3.75%
		Certificate of need	1.75%
		Licensure compacts	1.75%
		Nutrition continuing medical education	1.75%
		Scope of practice	1.75%
		Short-term limited duration insurance	1.75%

Allowable Use of Funds

A state application must include the use of funds for at least three of the following purposes:

Prevention and chronic disease	Health care delivery systems
Provider payments	Behavioral health
Consumer-facing technology	Innovative models of care
Training and technical assistance	Infrastructure
Workforce	Strategic partnerships
Information technology	

Unallowable Uses and Limitations

The federal grant guidance identifies the unallowable uses of funding and limitations on funding for certain items. Funding may not be used for perpetual operating expenses or for services where payment is available from another source. Additionally, funding may not be used for new construction costs but may potentially be used for facility renovations linked to goals.

The amount of funding that may be used for certain items is also limited. The following funding limitations are included in the federal grant guidance funding for:

- Provider payments are limited to 15 percent of a state's annual allocation.
- Infrastructure enhancements are limited to 20 percent of a state's annual allocation.
- Administrative direct and indirect costs are limited to 10 percent per year.
- Replacement of an electronic medical records system is limited to 5 percent of a state's annual allocation.
- Initiatives similar to the rural tech catalyst fund may not exceed 10 percent of funding awarded to a state or \$20 million during a budget period.

Application Requirements

State applications must include:

- A project narrative describing rural health needs, the target population, goals, partner engagement, performance measures, and sustainability.
- The Governor's endorsement that the application was completed with state agencies and the identification of a lead agency.
- A budget narrative assuming each state will have a \$200 million annual budget.
- An indirect cost agreement detailing cost allocations.

- A business assessment to outline financial stability and internal controls.
- A program duplication assessment to ensure funding is not replacing or duplicating current programs.
- Supporting materials that support the application such as data tables and workplans.

Deadline

The deadline to submit a grant application is November 5, 2025.