

RURAL HEALTH TRANSFORMATION RURAL TECH CATALYST FUND RESOURCE GUIDE



RTCF At a Glance

Under the Rural Health Transformation (RHT) Program Notice of Funding Opportunity, States have the option to implement a Rural Tech Catalyst Fund (RTCF). An RTCF seeks to achieve transformational change to improve rural health, creating opportunities for rural communities that have historically been underrepresented as beneficiaries of innovative technology solutions.

Innovative, High-Impact, Tech-Driven Solutions Focused on Preventing & Managing Chronic Disease to Benefit Rural Communities

Through an RTCF, a State provides non-dilutive seed funding¹ to build solutions that push boundaries, addressing barriers in advancing consumer-facing, technology-driven solutions for chronic disease prevention and management in rural populations. The fund allows States to rapidly investigate new technologies with focused investments that can have an outsized impact on healthcare in rural communities.

Applicants, which may include organizations, companies, startups, academia, universities, nonprofit, or government entities, often acting as pioneers in their fields, will propose new ideas, solutions, and products to compete for funding through an RTCF. Applicants' solutions must:

Table 1: Solution Criteria

Be novel	Be significantly different from or fulfil an unmet need compared to the existing landscape of products and solutions.
Have a specific population focus	Ensure that all RTCF-funded products or solutions serve rural communities with a focus on, or special consideration for, their particular needs and challenges, as well as benefit Medicaid, low-income, and/or vulnerable rural consumers. *Applicants do not need to exclusively serve rural communities to be eligible.
Qualify specifically for Category A & C Use of Funds	Be consumer-facing, technology-driven solutions for prevention and management of chronic diseases, using evidence-based, measurable interventions. An RTCF may also qualify for other permissible uses of funds, such as Category H.
Achieve health outcomes	Increase quality, affordability, and/or access to care.

1. Non-dilutive funding is any capital raised for a business that does not require the founder to give up equity, ownership, or voting control.

What Applicants can be considered for funding?

Table 2: Applicant Criteria

Product Stage	Proof-of-Concept (a solution concept based on validated science and is proving technology feasibility) through Minimum Viable Product (needs funding to test & clinically validate the solution in a real-world rural environment). <i>Too Early: idea/concept only; no validated science or proof-of-concept</i> <i>Too Mature: fully commercialized product; focus is on marketing and sale</i> Proof of Concept Criteria: • Must have a functional prototype • Must have evidence/demonstration of feasibility • Must demonstrate readiness, Technical Readiness Level (TRL) 4 Technology solutions or end product(s) should conform to industry standards.
Solution Novelty	The solution is sufficiently novel from at least one perspective: care delivery, the fundamental underlying technology, the way existing technologies are combined, the application of a solution in a new industry. Novelty is further described below (Table 3).
Solution Type	Preference for solutions that directly deliver or enable care. Must focus on chronic disease prevention and management.
Applicant Stage	Less than 10 years since founding and with less than \$50M in prior funding raised.
Applicant Entity Type	Applicants may include organizations, companies, startups, academia, universities, nonprofit or government entities.
Domicile	U.S.-based and U.S.-owned non-profits, businesses (a corporation, partnership or sole proprietorship organized under U.S. law), or government entities. Perform the RHT Program-supported work in the U.S. with U.S. employees and, if applicable, contractors. International applicants are ineligible.

Table 3: Examples of a Novel Solution

A Novel Solution IS	A Novel Solution IS NOT
A New Capability: A breakthrough approach that creates a new way to enable care in rural communities. This is often achieved by combining existing technologies in a new way, adapting technology from other industries that haven't been applied in healthcare, or building fundamentally new technology with rural communities in mind.	An Incremental Improvement: An existing commercial product that is made slightly faster, cheaper, or better without meaningfully addressing the unique barriers faced by rural communities.
A New Delivery Model: A solution that changes how or where care is delivered to solve for rural realities such as patient travel distance and limited access to specialists.	A Surface-Level Redesign: Taking an existing application, database, or software and merely putting a new User Interface (UI) on it without changing the foundational technology or its limitations.
Market-Defying: A solution that addresses a critical unmet need that the private market has not met due to low population density, low profitability, or hesitation to design solutions for the rural infrastructure environment.	Market-Following: A conventional digital health tool that relies on standard healthcare technology paradigms (e.g., requires high speed internet, assumes high digital literacy).
A Bridge to Commercial Viability: A seed-stage innovation that, with RTCF funding, has a clear and realistic path to becoming a self-sustaining product that can be deployed in the real world.	A Purely Academic Project: Basic, open-ended scientific research that lacks a concrete plan or timeline to become a commercially viable product that directly impacts patients.

Intellectual Property (IP) & Federal Rights

To comply with federal regulations, the State and all funded subrecipients must protect the federal government's rights regarding any technology or intellectual property developed or acquired using RTCF dollars:

- **Copyrighted Works:** In accordance with 2 CFR 200.315, CMS retains a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use any copyrighted work developed with RHT Program funds for federal purposes, and to authorize others to do so, including to make such work available through CMS-designated public access repositories. The government retains these rights even if the solution is acquired by another entity.
- **Patents and Inventions:** The State and any funded entities must comply with all applicable regulations governing patents and inventions, including 37 CFR Part 401, to ensure the government's rights are fully protected.
- **Product Ownership:** The entity may own the product developed, including associated intellectual property, and may commercialize it, to the extent consistent with these and all other applicable federal requirements. Through the RTCF dollars, neither CMS nor the States have ownership of the product.

What steps should States be taking to implement this initiative?

Step 1: Confirm State's RTCF Infrastructure

States remain responsible for ensuring that RTCF funds are obligated and disbursed to selected Applicant(s) in accordance with approved milestone payment structures, applicable federal requirements, and CMS-approved purposes. This responsibility applies regardless of whether the State utilizes a third-party entity to manage or provide oversight of the RTCF program.

A managing entity may support activities such as application review, program administration, technical assistance, and monitoring. However, RTCF funding structures must ensure timely payment to selected Applicant(s) and may not result in funds being retained by the managing entity in a manner inconsistent with program requirements or approved purposes.

States remain responsible for all RTCF awards and payments made to selected Applicant(s), including ensuring compliance with approved milestone payment structures and applicable federal requirements.

Because assessing high-impact, early-stage healthcare technology requires highly specialized expertise, the managing entity must adhere to the following criteria

- **Expertise:** The RTCF must be managed by an entity with deep healthcare investing expertise and experience assessing early-stage healthcare companies.
- **Approved Entity Types:** This infrastructure must either already exist at the State level (e.g., an existing State-run startup funding or incubator vehicle) or be delegated to a strategically aligned, sophisticated partner (e.g., a local health system or a payor startup incubator).
- **Fee Restrictions:** Only administrative, operational, and audit-related costs may be permissible. Fees that generate profit or are structured as a percentage of funds managed, assets, or performance are prohibited.²

Administrative, operational, and audit-related costs associated with implementing the RTCF initiative are allowable only to the extent they are:

- Necessary for administration and oversight of the initiative
- Reasonable, allocable, and cost-based
- Supported by appropriate documentation
- Consistent with applicable federal requirements and cost principles

The State must develop a detailed fee schedule outlining all administrative and operational costs associated with managing the RTCF initiative. The fee schedule must:

- Clearly itemize anticipated costs and associated activities
- Distinguish allowable administrative and operational costs from prohibited fee structures
- Be submitted to CMS for review and approval prior to implementation
- Be maintained and updated as needed and made available to CMS upon request

2. Per published FAQs, State offices and non-State entities that are delegated with fund management activities may not charge income producing fees to the State for activities in connection with this initiative. States cannot fund any vehicle resembling an investment fund that generates income as this produces profit/additional funds.

States remain responsible for ensuring that all RTCF expenditures comply with applicable federal requirements and cost principles.

See 2 CFR 200.307, 2 CFR 300.218, 2 CFR 200.430, 2 CFR 200.459, and 2 CFR 200.425.

CMS Interaction: States must share details on their intended RTCF funding vehicle and the managing entity structure to CMS for review and approval before releasing any public announcements on the RTCF opportunity.

Step 2: Write Challenge Statement(s)

Define the specific problem(s) you want to solve through the following framework:

The Problem

Definition: A specific health issue or disparity related to chronic disease prevention and management that current solutions do not adequately address for rural populations.

Example: A way to consistently monitor and manage high-risk prenatal vitals between in-person visits...

The Target Population

Definition: The rural demographic or beneficiary group you aim to help.

Example: ...in Medicaid-enrolled expectant mothers living in frontier counties...

Desired Outcomes

Definition: The measurable rural clinical or access impact you want a solution to achieve.

Example: ...to reduce emergency department visits for preventable pregnancy complications.

The Current Barrier

Definition: The specific rural constraint or infrastructural reality that makes solving this problem difficult for traditional solutions.

Example: No reliable broadband for video telehealth and a minimum 60-minute travel time to the nearest clinic.

- **Multiple Program Tracks:** A State can run multiple program “tracks” at the same time, each with its own Challenge Statement. For a given track, all participating Applicants should start from a similar product lifecycle stage (e.g., all at the “Proof of Concept”, or all at the “Prototype” stage) to allow for fair benchmarking.

Step 3: Solicit Applications from Potential Applicants

In soliciting applications, States should publicly provide for each program track (at a minimum) to:

- Clearly state the Challenge Statement, Applicant eligibility criteria, and scoring rubric framework.
- Provide clear instructions on how to apply and the application deadline.
- Announce the total expected funding available for the program track, and the expected funding duration.
- Set out a milestone-based payment structure. Selected Applicant should understand the total funding they would be eligible to receive if they successfully achieved all milestones in the program track, and what they are expected to achieve in the program timeframe.

Each program track should have its own application. The minimum information to request from Applicants in their applications includes:

Application Category	What the Applicant Must Provide
The Proposed Solution	A clear explanation of how their solution directly solves the unmet need and overcomes the current barrier described in the State's Challenge Statement. Information on the underlying verified science that supports the feasibility of the proposed solution.
Justification of Novelty	An overview of the existing solutions landscape and an articulation of why their approach is fundamentally novel.
Team Qualifications	Proof that the team possesses the necessary in-house technical, clinical, and operational expertise to build and deploy the solution.
Work Plan & Milestones	A credible, phased roadmap detailing specific, observable technical events and quantifiable clinical or access outcomes mapped to the milestones for funding set forth by the State.
Budget Justification	A breakdown of how the estimated non-dilutive funding will fund specific costs.
Sustainability Plan	Demonstration of plan to sustain progress, secure follow-on capital funding, and consideration of government or commercial payers' ability to procure the product based on the payment and delivery model.
Other RTCF Criteria	Supporting information that the Applicant and their proposed solution meet the remaining RTCF Solution and Applicant Criteria.

Step 4: Assess Applications Against Clear, Standard Eligibility Requirements

States must assess Applicants for each program track against clear and consistently applied scoring rubric, including:

- **Mandatory base criteria:** Confirm an Applicant and their proposed solution meets the RTCF Applicant Criteria (Table 2) and Solution Criteria (Table 1) described in the sections above.
- **Other criteria:** States can have other scoring metrics and assign different weights to criteria based on their specific priorities (e.g., scientific and technical merit, proposers' capabilities and related experience, potential to contribute to the mission, price and value analysis, etc.).

CMS Interaction: States should submit their Applicant finalists to CMS for review at least 15 business days prior to announcing awards. The submission should include a consolidated list of finalists and provide sufficient information for CMS to assess each proposed project.

At a minimum, States should identify:

- *The Applicant organization;*
- *The challenge, or need the Applicant proposes to address; and*
- *The corresponding RHT Program initiative or State priority to which the proposed project aligns.*

Providing this information in a consolidated format will facilitate CMS review and ensure alignment between proposed awards and the State's approved RHT Program initiatives. States are responsible for ensuring sufficient time for CMS review and any necessary follow-up before award announcements are made.

Step 5: Make Initial Awards

After receiving approval from CMS, the State can make conditional offers to selected Applicants. The award agreement must clearly define the project scope, the total award amount, and the specific milestone targets & payment structure for each program track. All payments must be made directly to selected Applicants in accordance with the approved milestone structure.

Milestone Structure and Payments:

- Milestone payments are triggered by achieving pre-defined, observable processes and outcomes, not by the passage of time or submission of routine reports.
- Milestones track activities significant to the progress towards achievement of the Challenge Statement. They must be observable technical events or quantifiable outcomes.
- A given program track should include a minimum of 3 milestones within a performance period, with at least one being an outcome-based milestone. Milestones are sequential.
- Every selected Applicant in each program track should be subject to the same milestone timeline, and milestone payment structure.

Illustrative Example: Milestone payment schedule for one budget period

Milestone	Task	Example Proof of Completion	Payment
Initial Award* (Kickoff)	Project mobilization and finalization of the product roadmap.	Fully executed State contract and finalized project work plan.	20% of Total
#1: Tech Validation	Prove the core technology functions reliably in a simulated low-bandwidth environment.	Live demonstration and a technical report with verifiable test data.	20% of Total
#2: Pilot Deployment	Successfully deploy the minimum viable product to 25 patients in a target rural county.	Deployment logs and formal confirmation from the local clinical partner.	25% of Total
#3: Outcome Validation	Show a statistically significant improvement in a key clinical metric across the pilot group over 3 months.	A final outcomes report with validated clinical data.	35% of Total

*A portion of the award may be funded to selected Applicants at kickoff, which may not exceed 20% of the total funding amount.

Step 6: Manage Milestone Payments & Regular Ongoing Reporting

Funding Timelines: All RTCF funds must be paid to the selected Applicants by the end of the subsequent federal fiscal year for each budget period. For example, funds from Budget Period 1 (obligated by October 30, 2026) must be paid to selected Applicants by September 30, 2027. Milestone timing must be structured to comply with this.

Missed Milestones & Off-Ramps:

- **Sequential Progress:** Given that milestones are sequential, selected Applicants cannot skip a failed milestone and attempt the next one.
- **Unpaid Iteration (“Cure Period”):** If a selected Applicant misses a milestone but the issue is solvable (as assessed by the State), the State may grant a “cure period”. The selected Applicant must achieve the missed milestone using their own resources before receiving the next milestone payment.
- **Active Down-Selection (Off-Ramps):** If a selected Applicant’s solution is proven unviable or fails repeatedly, the State must formally terminate the selected Applicant and halt all future milestone payments to protect public funds.

CMS Interaction: States must maintain regular progress reports, detailing selected Applicant’s progress against milestones, funds expended, and any risks, delays, or corrective actions. CMS may conduct additional targeted reviews as needed.

Step 7: Documentation Requirements and CMS Review

States must maintain sufficient documentation to support all milestone payments and make such documentation available to CMS upon request. This includes, at a minimum:

- Evidence of milestone completion
- Payment amounts and dates
- Supporting documentation demonstrating that payment conditions were met
- Alignment with the approved milestone payment structure and fee schedule

CMS reserves the right to review milestone payments and associated documentation at any time to ensure:

- Payments are consistent with the approved milestone payment structure;
- Payments align with the State's approved fee schedule; and
- Funds are used in accordance with applicable federal requirements.

States must promptly address any findings or requests for additional information identified through CMS review.

Other RTCF initiative requirements

- No more than (1) 10% of funding allocated to a State in a budget period or (2) \$20M of total funding awarded to a State in a budget period, whichever is less, may be used to support this initiative.
- Total funding awards to any one selected Applicant cannot exceed \$3M of non-dilutive funding (funding that does not require the recipient to give up equity or ownership).
- Distinction Between Selected Applicant Payments and Administrative Costs
 - Payments made to selected Applicants are milestone-based and tied exclusively to the achievement of defined technical and outcome-based milestones. These payments are separate from any administrative or operational costs associated with managing the RTCF initiative.
 - Payments to any managing entity must be limited to allowable administrative and operational services as outlined in the State's approved fee schedule described in Step 1. Such payments must be cost-based, reasonable, and supported by appropriate documentation, and may not be structured in a manner that generates profit or functions as a prohibited fee.

