COMMONWEALTH of VIRGINIA

Executive Department

EXECUTIVE DIRECTIVE TWELVE (2025)

TRANSFORMING RURAL HEALTH AND SUPPORTING HEALTH CARE PROVIDERS

By virtue of the authority vested in me as Governor of the Commonwealth of Virginia, I hereby direct the Secretary of Health and Human Resources, in conjunction with the Secretary of Finance, to work with all relevant state and local government agencies, including the Department of Medical Assistance Services and the Virginia Department of Health, and representatives from major health care providers including nonprofit and for-profit hospitals, federally-qualified health centers, and other providers, in order to develop a Rural Health Transformation Plan (Plan) to submit as Virginia's application to the Administrator of the Centers for Medicare and Medicaid Services (CMS) for grant funds from the Rural Health Transformation Program created by H.R. 1.

Importance of the Initiative

Public Law No. 119-21, widely known by its legislative designation of H.R. 1 and informally known as the "One Big Beautiful Bill Act" provides significant tax relief and changes to spending policies across a wide variety of areas of federal and state engagement. One program that has received an appropriately large share of attention is Medicaid.

Medicaid was created 60 years ago as a key part of the critical safety net to serve many of our most vulnerable citizens: women and children in poverty; people with disabilities; and the elderly population in poverty. Over time, changes in federal law have authorized an expansion beyond the original intent of Medicaid, such as opening the doors for able-bodied people to qualify for the program and creating a complex loophole to provide additional funding to hospital providers well above and beyond direct reimbursement for patient care.

H.R. 1's changes to Medicaid are designed to keep it sustainable for the next 60 years and beyond.

H.R. 1 adds work and community engagement requirements for able-bodied adults without dependents beginning on December 31, 2026, prohibits coverage of illegal immigrants, imposes starting in Fiscal Year 2030 new penalties for states whose Medicaid Payment Error Rate exceeds three percent, and requires renewals every six months for individuals in the Medicaid expansion population, increasing from the current annual renewal.

In addition, H.R. 1 begins the gradual unfolding of the loophole that allows Medicaid supplemental payments to hospitals with taxpayer dollars, gradually bringing them to sustainable levels.

The financial and operational health of hospitals remains critical to the provision of health care in Virginia. While hospitals will continue to receive fair payment for services under the new law, there is a growing need for a Virginia-specific assessment and Commonwealth-wide strategy to ensure financial health of rural providers and access to quality care for all communities across the Commonwealth.

Rural Health Transformation

H.R. 1 created a Rural Health Transformation Program which will provide $50 billion between Fiscal Year 2026 and Fiscal Year 2030 to support the provision of health care to rural communities nationwide. Half of program dollars will be divided equally among all states, creating a $100 million per year fund for the next five years for the Commonwealth—totaling $500 million. The other half of the $50 billion will be distributed in competitive grants based on rural metrics defined as the percentage of state population located in a rural tract, the proportion of rural health facilities in the state versus nationwide, the overall situation of hospitals within the state, and other factors as established by the Centers for Medicare and Medicaid Services (CMS). Virginia will compete for this incremental grant.

In accordance with H.R. 1, any funds allotted to the Commonwealth must be used for three or more of the following health-related activities:

- Promote evidence-based interventions to improve prevention and management of chronic disease.
- Provide payments to health care providers for the provision of health care items or services.
- Promote consumer-facing, technology-driven solutions for the prevention and management of chronic diseases.
- Provide training and assistance to develop technology-enabled solutions to improve care in rural hospitals, including remote monitoring, robotics, and AI.
- Recruit and retain clinical workforce talent in rural areas with a commitment to serve for a minimum of five years.
- Provide significant technology advances and improving efficiency and cybersecurity. Assist rural communities to right-size health care delivery systems.
- Support access to opioid use disorder treatment services, other substance use disorder treatment services, and mental health services.

- Develop projects that support innovative models of care that include value-based care arrangements and alternative payment models.

- Promote sustainable access to high quality rural health care services.

The goal laid out by CMS leadership is not to simply fill the gap for financially strained hospitals, but to improve the delivery and quality of health care to rural populations.

Directive

Accordingly, pursuant to the power vested in me as the Chief Executive Officer of the Commonwealth, and pursuant to Article V of the Constitution and laws of Virginia, I hereby direct the Secretary of Health and Human Resources, in conjunction with the Secretary of Finance, to work with the Department of Medical Assistance Services, the Virginia Department of Health, other state and local government agencies, and representatives from major health care providers including but not limited to for-profit hospitals, nonprofit hospitals, and federally qualified health centers, in order to develop the Plan to leverage funds provided by the Rural Health Care Transformation Fund Program created by H.R. 1 to support quality access to health care in rural Virginia.

The Plan shall be delivered to the Governor prior to timeframes established in forthcoming CMS guidance and shall include:

1. Virginia-specific Assessment of Need – community health care needs assessment, review of financial health of existing providers, and applicable definitions of rurality.

2. National Best Practices – assessment of innovative programs and best practices to meet rural health care needs.

3. Options for Investment Strategies – provide Virginia leadership with options for how to invest funding to most effectively improve rural health.

In addition, the Secretary of Health and Human Resources shall facilitate rapid, broad, stakeholder outreach efforts that include:

1. Listening sessions in rural areas across Virginia, a central e-mail address to take input, and outreach to members of the General Assembly on the development of the Rural Health Transformation Plan.

2. Engagement with business leaders, local governments, non-profit volunteer service organizations, and institutions of higher education on the implementation of work and community engagement requirements from H.R. 1.

3. Work with localities, local social service agencies, Medicaid managed care organizations, and members, to develop an implementation plan utilizing best practices for twice a year eligibility determination.

Effective Date

This Executive Directive shall be effective upon its signing and shall remain in force and effect unless amended or rescinded by further executive order or directive. Given under my hand and under the Seal of the Commonwealth of Virginia this 13th day of August 2025.

Glenn Youngkin, Governor

Attest:

Kelly Gee, Secretary of the Commonwealth