

1999 Rural Health Care Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

January 25, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/International Trade Center, 1300 Pennsylvania Avenue, NW, Washington, D.C., on Monday, January 25, 1999. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order at 9:28 a.m. EST. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC), acting as Secretary to the Committee, called the roll. Seven of the eight members were present, representing a quorum:

Sanders, Jay	Hess, Kevin
Hogerty, Martha	Lineberry, Isiah
Parrino, Cheryl	Talbott, Brian
Thoms, Allan	

One member was absent:

Jackson, Jimmy

Officers of the Corporation present:

Haga, Robert – Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bailey, Lee	USAC-RHC Division
Blackwell, Mel	USAC
Dwyer, Shari	Thomas Communications
Faunce, Donna	USAC-RHC Division
Kiser, Cherie	Mintz, Levin, et al.
Kriete, Deb	USAC-SL Division
Lavery, Dick	GTE
Moore, Kate	USAC-SL Division
Rodda, Jim	MCI

1. Election of the RHC Committee Chair and Vice Chair – Nominations were opened for the positions of Chair and Vice Chair. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the Rural Health Care Committee recommends that the USAC Board of Directors elect Dr. Jay Sanders as the Rural Health Care Committee Chair and Mr. Kevin Hess as the Rural Health Care Committee Vice Chair.

On a motion duly made and seconded, the Committee was recessed at 9:30 a.m., subject to the call of the Chair, until 10:15 a.m.

At 10:15 a.m., the Committee reconvened. Dr. Jay Sanders, Chair of the Rural Health Care Committee called the meeting to order and asked that the roll be taken. Ms. Donna Faunce, executive assistant to Programs, acting as Secretary to the Committee, called the roll. Seven of the eight members were present, representing a quorum:

Sanders, Jay	Hess, Kevin
Hogerty, Martha	Lineberry, Isiah
Parrino, Cheryl	Talbott, Brian
Thoms, Allan	

One member was absent:

Jackson, Jimmy

Officers of the Corporation present:

Haga, Robert – Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bailey, Lee	USAC-RHC Division
Blackwell, Mel	USAC
Dwyer, Shari	Thomas Communications
England, Bill	USAC-RHC Division
Faunce, Donna	USAC
Harrison, Gina	NECA
Rodda, Jim	MCI

2. Program Status

Mr. Bailey reported on the activities undertaken by the Rural Health Care Corporation during 1998 and the Rural Health Care Division in 1999 and reviewed efforts to project demand for the program. Mr. Bailey reported that demand for the 1998/1999 Funding Year was not expected to exceed \$8 million. He reviewed the recommendations for program changes contained in the December 24, 1998 Report to the Chairman of the Board of Directors for the Rural Health Care Corporation. Mr. Bailey reported that the next funding cycle would open on March 1, 1999.

3. March 1 Report to the FCC

Cheryl Parrino discussed the March 1 Report to the FCC and the program review and analysis of administrative processes which are underway. She reported that the FCC ordered USAC to reduce administrative expenses associated with the Rural Health Care Program, submit revised first quarter administrative expenses, and evaluate way to improve opportunities for eligible rural health care providers to take advantage of the support mechanism, and evaluate anticipate demand for 1999.

4. Modification of the Services Agreement between the Rural Health Care Division of USAC and PricewaterhouseCoopers LLP. Mr. Bailey reviewed potential modifications to the Services Agreement between USAC and PricewaterhouseCoopers to allow for the addition of customer service support center staff needed to handle the increased workload required to assist applicants through the application process and the dual funding year period beginning on March 1.

On a motion duly made and seconded, the Committee approved the following resolution:

RESOLVED, That the USAC Rural Health Care Committee authorizes USAC to enter into a Second Modification to the Services Agreement with PricewaterhouseCoopers, LLP.

5. 1999 Budget and 2nd Quarter 1999 Budget Resolution. Based on the approval of the Modification to the Services Agreement with PricewaterhouseCoopers, LLP, the Second Quarter 1999 Budget was modified to provide \$558,000 for this budget item. On a motion duly made and seconded, the Committee approved the following resolution:

RESOLVED, That the USAC Rural Health Care Committee approves a 1999 direct cost budget of \$2.964 million for the Rural Health Care program, with \$869,000 for the second quarter, in addition to attributable costs from USAC of \$304,500 for the Second Quarter.

There being no further business to attend to, Dr. Sanders adjourned the meeting at 11:50 a.m. EST.

Robert Haga
Secretary and Treasurer

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

February 18, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) was held via telephone conference call on Thursday, February 18, 1999. Mr. Kevin Hess, Vice Chair of the Committee called the meeting to order at 2:00 p.m. EST. Ms. Donna Faunce, executive assistant to Programs, called the roll for Mr. Robert Haga, Acting Secretary. Six of the eight members were present, representing a quorum.

Hess, Kevin	Lineberry, Isiah
Hogerty, Martha	Jackson, Jimmy
Parrino, Cheryl	Thoms, Allan

Two members were absent.

Sander, Jay	Talbott, Brian
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Officers of the Corporation present.

Haga, Robert – Secretary/Treasurer

Others present for the meeting.

<u>NAME</u>	<u>COMPANY</u>
Armstrong, Linda	FCC
Bailey, Lee	USAC-RHC Division
Blackwell, Mel	USAC
England, Bill	USAC-RHC Division
Faunce, Donna	USAC
Stratton, Susan	Stratton Gilmore Group

1. March 1 Report to the FCC. Cheryl Parrino briefly reviewed the purpose of the Report to the FCC on the Rural Health Care Support Mechanism. The Committee reviewed each section of the draft report and suggested edits to various sections. The Committee agreed to meet via telephone conference call on Wednesday, February 24, 1999, at 2:00 p.m. (EST) to discuss the revised draft. A subsequent conference call will be held on Tuesday, March 2, 1999, at 3:00 p.m. (EST) to discuss the final report.

There being no further business to attend to, the meeting was adjourned at 3:35 p.m. (EST).

Robert Haga
Secretary and Treasurer

Date

021899RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

February 24, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) was held via telephone conference call on Wednesday, February 24, 1999. Mr. Kevin Hess, Vice Chair of the Committee called the meeting to order at 2:00 p.m. EST. Ms. Donna Faunce, executive assistant to Programs, called the roll for Mr. Robert Haga, Acting Secretary. Six of the eight members were present, representing a quorum.

Hess, Kevin	Lineberry, Isiah
Hogerty, Martha	Jackson, Jimmy
Parrino, Cheryl	Talbott, Brian

Two members were absent.

Sander, Jay	Thoms, Allan
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Officers of the Corporation present.

Haga, Robert – Secretary/Treasurer

Others present for the meeting.

<u>NAME</u>	<u>COMPANY</u>
Armstrong, Linda	FCC
Bailey, Lee	USAC-RHC Division
Faunce, Donna	USAC
Stratton, Susan	Stratton Gilmore Group

- 1. March 1 Report to the FCC.** The Committee reviewed those sections of the report related to the applicant pool, demand estimates, changes to the program, and administrative costs. The Committee agreed to meet via telephone conference call on Tuesday, March 2, 1999, at 3:00 p.m. (EST) to discuss the final draft.

There being no further business to attend to, the meeting was adjourned at 4:05 p.m. (EST).

Robert Haga
Secretary and Treasurer _____

Date 022499RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

March 2, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) was held via telephone conference call on Tuesday, March 2, 1999. Mr. Kevin Hess, Vice Chair of the Committee called the meeting to order at 3:00 p.m. EST. Mr. Robert Haga, Acting Secretary, called the roll. Seven of the eight members were present, representing a quorum.

Hess, Kevin	Lineberry, Isiah
Hogerty, Martha	Jackson, Jimmy
Parrino, Cheryl	Talbott, Brian
Thoms, Allan	

One member was absent.

Sanders, Jay

Officers of the Corporation present.

Haga, Robert – Secretary/Treasurer

Others present for the meeting.

<u>NAME</u>	<u>COMPANY</u>
Armstrong, Linda	FCC
Bailey, Lee	USAC-RHC Division
Blackwell, Mel	USAC
England, Bill	USAC-RHC Division
Faunce, Donna	USAC
Stratton, Susan	Stratton Gilmore Group

1. **March 1 Report to the FCC.** The Committee reviewed Sections VI and VII of the draft Report to the FCC on the rural health care support mechanism.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the Committee determined that administrative costs should be reduced to the lowest level possible without compromising the program.

The Committee recommended that the Executive Committee consider two specific additions to the report to accomplish this objective, elimination of the position of President and a delay in the start of the second year of the program. Mr. Lineberry objected to the proposal to reduce staff directly allocated to the RHC program below two FTEs (due to quality assurance issues) and to the proposal to stay the second year of the program and asked that his objections be so noted in the minutes. On a motion duly made and seconded, the Committee adopted the following resolution.

RESOLVED, that the Rural Health Care Committee recommends that the Executive Committee approve the report with two revisions, namely elimination of the position of President and a delay in the start of the second year of the program.

2. **1999 Application Window.** On a motion duly made and seconded, the Committee approved the following resolution.

RESOLVED, that the 1999 application window for rural health care universal service support be established as 75 days, from March 1, 1999 to May 14, 1999, and that all applications completed after May 14 will be prioritized for funding according to the date that complete Form 466/468 packages are received.

There being no further business to attend to, the meeting was adjourned at 4:40 p.m. (EST).

Robert Haga
Secretary and Treasurer

Date 030299RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

RURAL HEALTH CARE COMMITTEE MEETING

April 19, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) was held on Monday, April 19, 1999, in the Scott Room at The Westin Grand Hotel located at 2350 M Street, N.W., Washington, D.C. Mr. Kevin Hess, Vice Chair of the Committee called the meeting to order at 3:00 p.m. Eastern Time. Ms. Donna Faunce, executive assistant to Programs, called the roll for Mr. Robert Haga, Acting Secretary. Seven of the eight members were present, representing a quorum:

Hess, Kevin	Parrino, Cheryl
Hogerty, Martha	Talbott, Brian
Jackson, Jimmy	Thoms, Allan
Lineberry, Isiah	

One member was absent:

Sanders, Jay

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Armstrong, Linda	FCC
Bailey, Lee	USAC-RHC Division
Bailey, Marvin	Ameritech
Bellucci, Vicky	MCIWorldCom
Blackwell, Mel	USAC
Faunce, Donna	USAC
Harrison, Gina	NECA
Mukhoty, Sumita	FCC – CCB
Rouse, Linda	NRHA
Snegireff, Petre	PwC

1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the meetings of January 25, February 18, February 24, and March 2, 1999.
2. **Rural Health Care Program Status.** Lee Bailey discussed the status of 1998 applications, the current projection date for distribution of approval notification letters, the number of applications received to date for Year 2, outsourcing, and administrative costs.
3. **Status of the March 5, 1999, “Report to the FCC, Evaluation of the Rural Health Care Program.”** Cheryl Parrino discussed the possible timing of FCC action on recommendations contained in the March 5 Report.
4. **Modification of the Services Agreement entered into by the Rural Health Care Division and PricewaterhouseCoopers, LLC.** Lee Bailey reported that the Services Agreement with PricewaterhouseCoopers (PwC) would expire on June 30, 1999. Mr. Bailey and Cheryl Parrino discussed USAC’s analysis of the tasks performed by PwC and the costs to bring some of those activities in-house. Based on this review, staff recommended that the Committee approve retaining PwC for an additional six months to handle the web site and network management, forms processing and customer service (CSSC), urban rates and complex circuits, and CSSC management functions. In addition, it was recommended that the Board provide USAC with authority to retain PwC to handle invoicing in the event that this activity cannot be performed in-house at a reduced cost.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee authorizes the RHCD to enter into the Third Modification to the PwC Services Agreement for an amount up to \$114,000 per month with the ability to contract for an additional \$23,000 per month if invoicing cannot be consolidated with other operations.

Mr. Lineberry abstained from voting.

5. **Revisions to the Pre-Merger Consolidated Budget.** Ms. Parrino discussed revisions to the Pre-Merger Consolidated Budgets that had been made subsequent to the Board meeting of January 25, 1999. Ms. Parrino explained that the primary differences between the Pre-Merger Budget presented at the January Board meeting and the Revised Budget presented at this meeting are updated estimates of the PwC contract and the outreach contracts, and the elimination of USAC common costs that were allocated to the RHC program in error. The revisions do not change the budget approved in January; however, the total savings as a result of the merger decreased from 15 percent to 30 percent.
6. **Revised 2nd and 3rd Quarter 1999 Programmatic Budgets.** Ms. Parrino explained the additional opportunities and options to decrease administrative costs associated with the Rural Health Care Program. Ms. Parrino also informed the Committee that Lee Bailey, the President of the Rural Health Care Division, would resign from his position effective May 1, 1999, and consequently the amounts budgeted for the President’s salary would need to be modified. The Committee agreed that the second and third quarter budgets filed in the

March 5 report should be modified to reflect the resignation of the President, reductions in the cost of outreach and outsourcing contracts, and the reallocation of USAC common expenses and increases in the allocation method for Billing and Collection, consistent with the method that is currently authorized by the FCC. The Committee directed USAC staff to work with NOSORH regarding NOSORH's outreach contract with the Rural Health Care Program.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee adopts a revised second quarter program budget of no more than \$804,500 and a third quarter programmatic budget of \$471,400.

7. **Preliminary 3rd Quarter 1999 Projections.** Mr. Bailey reported to the Committee on the data and assumptions that were used to develop the estimated projections of demand for the 1998 and 1999 Funding Years.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the Rural Health Care Committee recommends approving the projection of demand for the Rural Health Care program for the third quarter and further recommends that USAC refund \$46,000,000 and collect no additional funds for the Rural Health Care program for the third quarter.

8. **Engagement of Deloitte & Touche, LLP to Complete the Pre-Disbursement Audit.**

9. **Status of the Rural Health Care Division Financial Audit.**

Mr. Bailey and Ms. Parrino discussed the status of the pre-disbursement and financial audits and reported that both audits were proceeding on schedule and should be completed shortly. The Committee discussed the proposed timeline for issuing funding commitment letters following FCC approval of the auditors' findings.

10. **Timeline and Key Dates.** The Committee members indicated that this information would be useful.

11. **Clarification of Contract vs. Tariff, Per Location Funding Limit and Third Party Billing Issues.** Mr. Bailey briefly described several policy issues under review by RHCD staff and the FCC and referred Committee members to the summary provided in the meeting materials for further information.

12. **Resolution Honoring Lee Bailey.** Ms. Parrino discussed Mr. Bailey's role in implementing the Rural Health Care Program and his efforts to improve the program and reduce costs while preserving program integrity. Mr. Thoms asked that the Committee recess and reconvene in Executive Session to discuss Mr. Bailey's resignation and the effect on the RHCD program budget.

On a motion duly made and seconded, the Committee unanimously agreed to go into *Executive Session* at 4:25 p.m. for purposes of discussing Confidential agenda item.

On a motion duly made and seconded, the Executive Committee unanimously agreed to go into Open Session at 4:45 p.m. for purposes of reporting actions taken during *Executive Session*. The Committee reported on items 12 as follows:

Committee members as well as others attending the meeting thanked Mr. Bailey for his service.

On a motion duly made and seconded, the Committee approved the following resolution:

RESOLVED, That the USAC Rural Health Care Committee thanks Mr. Lee Bailey for his service and dedication to the Rural Health Care Program and wishes him well in all his future endeavors.

There being no further business to attend to, the meeting was adjourned at 4:55 p.m. Eastern Time.

Robert Haga
Secretary and Treasurer

Date

041999RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

RURAL HEALTH CARE COMMITTEE MEETING

July 26, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, July 26, 1999, at the Ronald Reagan Building, International Trade Center, 1300 Pennsylvania Avenue, NW, Washington, D.C. Dr. Jay Sanders, Chair of the Committee called the meeting to order at 3:00 p.m. Eastern Time. Ms. Donna Faunce called the roll on behalf of Mr. Robert Haga, Acting Secretary. Seven members were present, representing a quorum:

Sanders, Jay	Lineberry, Isiah
Hess, Kevin	Parrino, Cheryl
Hogerty, Martha	Talbott, Brian
Jackson, Jimmy	

One member of the Committee was absent:

Thoms, Allan

Officers of the Corporation present:

Haga, Robert

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Armstrong, Linda	FCC
Bellucci, Vicky	MCI
Barash, Scott	USAC
Blackwell, Mel	USAC
England, Bill	USAC-RHCD
Faunce, Donna	USAC
Harrison, Gina	NECA
Pozo-Olono, Jodie	USAC
Snegeriff, Petre	PricewaterhouseCoopers

ACTION ITEMS:

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the meetings of April 19, 1999, and June 25, 1999.
- a2. **Approval of the 1998 Rural Health Care Corporation Financial Audit.** Ms. Parrino informed the Board that Arthur Anderson has received a letter from the FCC indicating they have no further comment on the Rural Health Care Corporation (RHCC) financial audit. On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC Rural Health Care Committee approves the Universal Service Fund audit as it relates to the administrative expenses of the RHCC as detailed in Footnote 3 to the financial statements, and

FURTHER RESOLVED, That the USAC Rural Health Care Committee recommends that the USAC Board of Directors approve the 1998 financial audit of the Universal Service Fund that includes RHCC administrative expenses.

- a3. **Authorization to File 1999 Draft Financial and Operational Audit Plans with the FCC and Authorization to Issue an RFP for the Operational Audit of the Rural Health Care and Schools and Libraries Programs.** Ms. Parrino discussed the need to file a draft audit plan with the FCC and to issue a Request for Proposals (RFP) to select an independent auditor to perform an agreed upon procedures audit of the Rural Health Care Program. On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC Rural Health Care Committee authorizes USAC to file the proposed draft financial and operational audit plan for the Rural Health Care Program with the FCC audit staff, and

RESOLVED FURTHER, That the USAC Rural Health Care Committee authorizes USAC to issue a RFP for the 1999 operational audit of the Rural Health Care Program.

- a4. **Authorization to Issue a Request for Proposals (RFP) for the Audit of Beneficiaries.** Ms. Parrino informed the Committee that USAC contemplates issuing one RFP and contract for the field audits of both schools and libraries and rural health care providers. Ms. Parrino discussed the earlier action by the Schools and Libraries Committee to delete references to a specific dollar amount for the field audits. The Committee agreed with the action taken by the Schools and Libraries Committee and revised the resolution to be adopted by eliminating the reference to the projected cost. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee authorizes USAC management to issue a Request for Proposals to conduct field audits of beneficiaries of the Schools and Libraries and Rural Health Care Programs.

- a5. **Authorization of a Procedure for Processing Appeals.** Mr. Blackwell briefly discussed the proposed procedures for processing appeals. Mr. Blackwell also pointed out that the Committee would be provided with periodic reports concerning the types of appeals that are received and the decisions that are rendered. The Committee indicated that they were satisfied that earlier concerns regarding the delegation of authority to review appeals have been addressed. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee approves the *Rural Health Care Division Policy for Processing Applicant Inquiries and Objections to Funding Decisions*.

- a6. **4th Quarter 1999 Rural Health Care Programmatic Budget.** Mr. Haga discussed efforts to reduce administrative costs associated with the Rural Health Care Program, including the recent modification to the PricewaterhouseCoopers (PwC) contract. Mr. Haga also briefly discussed the differences between the original 4th Quarter budget estimate submitted to the FCC in the March 5 report and the 4th Quarter budget estimate presented to the Committee for approval. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee approves a 4th Quarter 1999 Rural Health Care Programmatic Budget of \$582,000.

- a7. **4th Quarter 1999 Rural Health Care Projections and Resolution on the July FCC Filing.** Mr. Blackwell provided the Committee with information concerning the numbers of applications received for both Year 1 and Year 2 of the Program and the estimated demand based on current applications. The Committee discussed the funding commitments that have been made and thanked Ms. Parrino and the staff for their dedication to the Program and efforts to get funding to the intended beneficiaries. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee recommends to the USAC Board of Directors to approve the projection of demand for the Rural Health Care Program for the 4th Quarter, and the Committee's recommendation that USAC collect \$2,120,000 of additional funds for the Rural Health Care Program for the 4th Quarter, and to authorize USAC staff to file this information in the July FCC filing.

- a8. **Miscellaneous.** Dr. Sanders expressed his concern that demand for the program would not reach the level originally expected and that administrative costs were still an issue for the Program. He briefly discussed his concern that providers could still not receive reimbursement for telehealth services from the Health Care Financing Administration. The Committee briefly discussed state financing.

INFORMATION ITEMS:

- i1. **Status of the March 5, 1999, USAC Report to the FCC.** Mr. Blackwell informed the Committee that the FCC is reviewing the USAC Report, the comments submitted in response

to the Public Notice, and the Rural Policy Research Institute (RUPRI) survey to determine what actions they might take in an Order to streamline the program. Mr. Blackwell estimates that an Order may be forthcoming in the fall.

- i2. **Rural Health Care Program Status Report.** Mr. Blackwell discussed the outreach contract with the National Organization of State Offices of Rural Health and the National Rural Health Resource Center and efforts to delay the State activities that can be postponed until the FCC modifies the Year 3 program.
- i3. **Deloitte & Touche, LLP Follow-up Compliance Audit.** Mr. Blackwell informed the Committee that auditors from Deloitte & Touche would return to the PricewaterhouseCoopers facility in Springfield to conduct a follow-up audit on the supervisory review of the packet checklist.
- i4. **PricewaterhouseCoopers LLP Contract Status Report.** Mr. Haga discussed the modification to the program administration contract with PricewaterhouseCoopers (PwC) and his satisfaction with PwC's willingness to work with USAC to keep costs within the revised budget.
- i5. **Timeline and Key Dates.** Ms. Parrino indicated that the timeline and key dates had been updated.
- i6. **Miscellaneous.** The Committee reviewed a resolution on the Universal Service Rural Health Care Program adopted by NARUC.

There being no further business to attend to, the meeting was adjourned at 4:08 p.m. Eastern Time.

Robert Haga
Acting Secretary and Treasurer

Date

072699RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
RURAL HEALTH CARE COMMITTEE MEETING

October 4, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, October 4, 1999, via conference call. Dr. Jay Sanders, Chair of the Committee called the meeting to order at 11:05 a.m. Eastern Time. Ms. Donna Faunce called the roll on behalf of Mr. Robert Haga, Acting Secretary. Five members were present, representing a quorum:

Sanders, Jay	Parrino, Cheryl
Jackson, Jimmy	Talbott, Brian
Lineberry, Isiah	

Three members of the Committee were absent:

Hess, Kevin	Thoms, Allan
Hogerty, Martha	

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Barash, Scott	USAC
Blackwell, Mel	USAC
Faunce, Donna	USAC

ACTION ITEMS:

- a9. **Selection of Public Accounting Firm for Performance of the 1999 USAC Audits.** Ms. Parrino reviewed the audit requirements and briefly described the proposals that had been submitted in response to USAC's Request for Proposals (RFP) to perform an operational audit of the Rural Health Care Program. Mr. Haga provided additional information concerning the evaluation of proposals submitted in response to the RFP to perform an audit of the rural health care program beneficiaries. On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the Rural Health Care Committee, having reviewed all three proposals submitted in response to the RFP, recommends that the Executive Committee engage Arthur Andersen for the 1999 USAC Audit of its financial statements and an agreed-upon procedures audit of its internal control environment for the Rural Health Care Program, and

RESOLVED FURTHER, That the Rural Health Care Committee, having reviewed all three proposals submitted in response to the beneficiary audit request, recommends that the Executive Committee engage Arthur Andersen for the 1999 beneficiary audit of the Rural Health Care Program.

Dr. Sanders asked that the Board be provided with information concerning the total cost of all 1999 audits required by the FCC.

Mr. Blackwell informed the Committee that the ETC order will be effective after it is published in the Federal Register and will be effective at that point for Year 2. The order issued in response to the March 5, 1999, report will be effective for Year 3.

Mr. Haga reported that the estimated impact of the 5th Circuit decision as it relates to international revenues would have a greater impact than originally estimated.

Mr. Blackwell informed the Committee that we had received our second appeal and that a management committee reviewed that appeal and would be informing the RHCP that its appeal was denied.

There being no further business to attend to, the meeting was adjourned at 11:20 a.m. Eastern Time.

Robert Haga
Acting Secretary and Treasurer

Date

100499RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
RURAL HEALTH CARE COMMITTEE QUARTERLY MEETING

October 25, 1999

MINUTES

The quarterly meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, October 25, 1999, at the Georgetown University Conference Center, 3800 Reservoir Road, NW, Washington, D.C. Dr. Jay Sanders, Chair of the Committee called the meeting to order at 2:00 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary called the roll. Seven members were present, representing a quorum:

Sanders, Dr. Jay	Lineberry, Isiah
Hess, Kevin	Parrino, Cheryl
Hogerty, Martha	Thoms, Allan
Jackson, Jimmy	

One member of the Committee was absent:

Talbott, Brian

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Armstrong, Linda	FCC
Bellucci, Vicky	MCIWorldCom
Barash, Scott	USAC
Blackwell, Mel	USAC
England, Bill	USAC-RHCD
Faunce, Donna	USAC
Harrison, Gina	NECA
Snegeriff, Petre	PricewaterhouseCoopers

ACTION ITEMS:

- a10. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the revised minutes of the meeting of July 26, 1999, and the minutes of the meeting of October 4, 1999.
- a11. **Approval of the 1st Quarter 2000 Rural Health Care Programmatic Budget and Information on Estimated 2000 Budget.** Ms. Parrino reviewed the proposed 1st Quarter budget for the Rural Health Care Program and advised the Board that the final 2000 budget would not be available for the Board's consideration until the January meeting. Ms. Parrino noted that vendor costs represent 80 percent of the 1999 Rural Health Care programmatic budget, and that while the budget projects lower administrative costs than in 1999, implementation costs associated with the redesign of the program for Year 3 will add vendor costs in the first part of 2000. USAC previously considered bringing the program work in-house. However, Ms. Parrino advised the Committee that staff has now concluded that the proposal to consolidate the outsourced work for both the Rural Health Care Program and Schools and Libraries Program will likely be more cost effective, particularly since the Rural Health Care program requires redesign for Year 3. Dr. Sanders asked whether the reduced outreach budget would have an impact on the effectiveness of the program. Both Ms. Parrino and Mr. Blackwell assured the Chair that it would not. Mr. Haga informed the Committee that it is not clear whether the FCC Order to revise the allocation for billing and collection would be effective in January 2000 and that to be conservative the Committee should not reduce the allocation for billing and collection for the 1st Quarter. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee approves a 1st Quarter 2000 Rural Health Care Programmatic Budget of \$765,000.

- a12. **Approval of 1st Quarter 2000 Rural Health Care Projections and Resolution on the November 1999 FCC Filing.** Mr. Blackwell discussed the applications received for Year 1 and Year 2 of the Program and provided the Committee with a revised estimate of demand for the Program. Mr. Thoms asked why the number of applications processed was low compared to the number of applications received. Ms. Parrino explained that all complete application packets have been processed and the remaining packets are missing a key element: i.e., a form, original signature, or the copy of a relevant document. Mr. Thoms recommended that the staff revise the presentation for the next meeting to include information about the status of packet processing. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Rural Health Care Committee approves the projection of demand for the Rural Health Care Program for the 1st Quarter 2000 and recommends that USAC collect \$2.5 million of additional funds for the Rural Health Care Program for the 1st Quarter 2000 and authorizes USAC staff to file this information in the November FCC Filing.

- a13. **Contract Review and Approval.** On a motion duly made and seconded, the Committee voted to go into Executive Session to discuss the status of USAC contract negotiations with

PricewaterhouseCoopers. At 2:45 p.m., the Committee, on a motion duly made and seconded, voted to return to Open Session and reported that no decisions had been made.

INFORMATION ITEMS:

- i7. **Status of the March 5, 1999, USAC Report to the FCC and New Program Overview.** Mr. Blackwell informed the Committee that the FCC issued a Public Notice concerning its adoption of two Orders addressing issues raised in the March 5, 1999 USAC Report to the FCC. Mr. Blackwell briefly discussed the Orders and efforts to design new forms and to streamline the application process. Dr. Sanders asked the staff to draft thank you letters to the FCC, as well as to the former Rural Health Care Corporation representatives, who worked to identify barriers to the Program and to those who subsequently took steps to improve the Program based on those findings.
- i8. **Rural Health Care Program Status Report.** Mr. Blackwell discussed the outreach contract with the National Organization of State Offices of Rural Health and the National Rural Health Resource Center. Dr. Sanders asked whether USAC would utilize a contractor to conduct outreach concerning the new Year 3 program or carry out those activities in-house. Mr. Blackwell indicated that both venues would be considered.
- i9. **Status of Appeals.** Mr. Blackwell informed the Committee that two appeals had been received from rural health care providers in Alaska and both had subsequently been denied. Mr. Blackwell also noted that one appeal has been submitted to the FCC directly.
- i10. **Status of the Program Evaluation of the Rural Health Care Program.** Ms. Parrino discussed the activities that USAC would undertake to evaluate the Program as part of its annual report to the FCC. Ms. Parrino noted that the FCC has primary responsibility for evaluating the overall effectiveness of the Program and provided the Committee with a list of items USAC submitted to the FCC in response to a request for input concerning appropriate measures and sources of data. Dr. Sanders provided the staff with the names of several key experts in the field and asked that the names be provided to the FCC as potential resources. Mr. Lineberry also asked that staff provide the FCC with additional short-term indicators of program effectiveness.
- i11. **Status of the Financial and Operational Audits of USAC.** Ms. Parrino provided the Committee with a timeline and estimated budget for all of the audits (including the Audit of Beneficiaries – see Information Item #i6) and noted that USAC is on track to file the audits by the March 2000 deadline.
- i12. **Status of the Audit of Beneficiaries.** Ms. Parrino briefly discussed the status and estimated cost of the Audit of Beneficiaries. (See Information Item #i5.)
- i13. **Timeline and Key Dates.** Ms. Parrino indicated that the timeline and key dates have been updated.
- i14. **Miscellaneous.** None.

There being no further business to attend to, the meeting was adjourned at 3:40 p.m. Eastern Time.

Robert Haga
Acting Secretary and Treasurer

Date 102599RHCmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

RURAL HEALTH CARE COMMITTEE MEETING

November 10, 1999

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Wednesday, November 10, 1999, by conference call. Dr. Jay Sanders, Chair of the Committee called the meeting to order at 5:00 p.m. Eastern Time. Ms. Donna Faunce called the roll on behalf of Mr. Robert Haga, Acting Secretary. Six members were present, representing a quorum:

Sanders, Dr. Jay	Jackson, Jimmy
Hess, Kevin	Parrino, Cheryl
Hogerty, Martha	Thoms, Allan

Two members of the Committee were absent:

Lineberry, Isiah	Talbott, Brian
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Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Blackwell, Mel	USAC
England, Bill	USAC-RHCD
Faunce, Donna	USAC

ACTION ITEMS:

- a14. **Approval of a Revised 1st Quarter 2000 Rural Health Care Programmatic Budget and Authorization of Expenditures to Implement the ETC Order.** Ms. Parrino discussed the need to approve a revised 1st Quarter 2000 budget based on the decision to extend the PwC contract for six months rather than for one year and the need to authorize the RHCD to expend an additional \$450,000 to implement the ETC Order. Ms. Parrino informed the Committee that the revised 1st Quarter 2000 budget increase was needed in order to amortize certain costs over the six-month renewal period rather than the one year period previously contemplated by the parties. Members of the Committee requested additional information concerning the projected costs associated with implementation of the ETC

Order, the revised projection of demand, and a summary of alternatives. Mr. Blackwell provided the Committee with details concerning the additional resources required to implement the ETC Order within the timeframes established by the Federal Communications Commission. Ms. Parrino informed the Committee that the alternative to approval of additional resources would be to significantly delay processing of Year 2 applications and work associated with implementation of the revised Year 3 Program. Ms. Parrino informed the Committee that staff had fully briefed the FCC staff regarding the alternatives for implementing the ETC order for pending Year 1 applications, and that the choice was either additional administrative costs or delays in processing Year 2 and implementing changes for Year 3. The alternative presented to the Committee is the alternative preferred by FCC staff. USAC staff informed the Committee that preliminary estimates are that demand could increase by approximately \$500,000, but that the actual level of increased demand could not be known until the required outreach efforts were undertaken. Information provided by entities in Alaska suggests that demand may be significantly higher than the \$500,000 estimate. Members of the Committee discussed the need to reduce administrative expenses without jeopardizing program integrity and effectiveness. Based on further discussion and on a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC Rural Health Care Committee approves a revised 1st Quarter 2000 Programmatic Budget of \$933,250, and

RESOLVED FURTHER, That the Rural Health Care Committee immediately authorizes the RHCD to expend up to \$450,000 to implement the ETC Order.

There being no further business to attend to, the meeting was adjourned at 5:30 p.m. Eastern Time.

Robert Haga
Acting Secretary and Treasurer

Date

111099RHCmin