

# 2002 Rural Health Care Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Rural Health Care Committee Meeting**

**January 23, 2002**

**MINUTES**

The quarterly meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at The Jefferson Hotel, 1200 16<sup>th</sup> Street, NW, Washington, D.C., on Wednesday, January 23, 2002. Dr. Jay Sanders, Chair of the Committee, called the meeting to order at 2:14 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary. Five of the eight members were present, representing a quorum:

Jackson, Jimmy  
Parrino, Cheryl  
Sanders, Dr. Jay

Swanson-Hull, Camie  
Talbott, Dr. Brain

Three members joined the meeting in progress:

Gregg, Billy Jack  
Lineberry, Isiah – *by telephone*

Rivera, Robert

Other Board members and officers of the Corporation present:

Buller, Karen – Board member

Gumper, Frank – Board member

Hess, Kevin – Board member

Barash, D. Scott – Assistant Secretary

Haga, Robert – Assistant Treasurer

Others present for the meeting:

NAME	COMPANY
Blackwell, Mel	USAC
England, Bill	USAC
Faunce, Donna	USAC
Howard, Cathy	USAC
Jose, Stephanie	USAC
Scott, Wayne	USAC

**ACTION ITEMS:**

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Rural Health Care Committee meeting of Monday, October 22, 2001.
- a2. **Annual Election of Committee Chairs and Vice Chairs.** Ms. Parrino explained that she briefed the new members of the Committee on the responsibilities of the Chair and Vice Chair of the Committee and on the election process.

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

**RESOLVED**, That the USAC Rural Health Care Committee recommends that the USAC Board of Directors elect **Dr. Jay Sanders** as Chair of the USAC Rural Health Care Committee for the term of one year that shall begin at the conclusion of the January 2002 Board meeting and that shall conclude at the close of the January 2003 Board meeting.

Board member Billy Jack Gregg joined the meeting at this point.

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

**RESOLVED**, That the USAC Rural Health Care Committee recommends that the USAC Board of Directors elect **Mr. Isiah Lineberry** as Vice Chair of the USAC Rural Health Care Committee for the term of one year that shall begin at the conclusion of the January 2002 Board meeting and that shall conclude at the close of the January 2003 Board meeting.

- a3. **Approval of Annual 2002 and 2<sup>nd</sup> Quarter 2002 Rural Health Care Programmatic Budget.** Ms. Faunce reviewed the annual and 2<sup>nd</sup> quarter 2002 programmatic budgets noting that the annual programmatic budget is 0.1 percent lower than last year's annual budget and that the quarterly programmatic budget is 11 percent higher than the quarterly budget at this time last year. She explained that the annual budget decreased due to such reasons as enhancing electronic filing and bringing more audits in-house, while the quarterly budget increased due to higher forms volume than expected and allocation of increased expenses for travel for purposes of outreach, audits, and vendor oversight. Ms. Parrino noted that the charts in Attachment D of the issue paper graphically compare the administrative costs of the Rural Health Care Support Mechanism to total program dollars. She recalled for the Committee that the FCC requested that USAC reduce the

administrative costs of the program while increasing program demand. She pointed out that the charts clearly show that USAC has accomplished these goals.

Board members Isiah Lineberry and Robert Rivera joined the meeting at this point.

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

**RESOLVED**, That the USAC Rural Health Care Committee approves an annual 2002 programmatic budget for the Rural Health Care Support Mechanism of \$2,642,400; and

**RESOLVED FURTHER**, That the USAC Rural Health Care Committee approves a 2<sup>nd</sup> Quarter 2002 programmatic budget for the Rural Health Care Support Mechanism of \$681,500.

- a4. Approval of 2<sup>nd</sup> Quarter 2002 Rural Health Care Projections and Resolution on the January 31, 2002, FCC Filing.** Mr. Blackwell reported that staff anticipates Year 3 distributions will be completed by the end of this quarter and that funding commitments for Year 4 have begun. He said that he is receiving positive feedback from the rural health care providers as to the ease with which they can move through the process. Mr. Blackwell stated that all of the known major telehealth systems are now benefiting from the program, but that staff is using outreach efforts to find smaller, independent telehealth systems that may benefit from the program.

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

**RESOLVED**, That the USAC Rural Health Care Committee, having reviewed at its meeting on January 23, 2002, a summary of the 2Q2002 support mechanism estimates, including administrative costs provided in Attachment A, hereby directs USAC staff to proceed with the required January 31, 2002, filing to the FCC on behalf of the Committee. Staff may make adjustments if the variance is equal to or less than \$0.5 million or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but no more than \$1.0 million.

- a5. Miscellaneous.** None

**INFORMATION ITEMS:**

- i1. Rural Health Care Support Mechanism Update.** Mr. Blackwell reported that applicants could now submit certifications of certain program forms electronically. He said that staff anticipates having the program fully automated by Year 6.
- i2. Status of Appeals.** Mr. Blackwell reported that between October 1 and December 31, 2001, the Rural Health Care Division received two new letters of appeal. One appeal was approved and the other is pending. Neither appeal raised novel issues regarding the administration of the Rural Health Care Support Mechanism. He noted that staff continually interacts with the applicants which helps reduce the number of potential appeals.
- i3. Rural Health Care Support Mechanism Timeline and Key Dates.** Mr. Blackwell noted that the Rural Health Care Support Mechanism will have two windows opening in the same year due to the enhanced automations in the application process: Year 5 window opens January 28 and Year 6 window is scheduled to open November 25.

**i4. Miscellaneous.**

- **Anti-Bio-terrorism Network.** Dr. Sanders informed the Committee that the American Telemedicine Association submitted a white paper on this subject to Chairman Powell of the FCC, and that Dr. Sanders is currently discussing the concept with the FCC and the Southern Governors' Association.

There being no further business, Dr. Sanders adjourned the meeting at 2:52 p.m.

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D. Scott Barash

Assistant Secretary

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Date

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Rural Health Care Committee Meeting**

**April 22, 2002**

**MINUTES**

The quarterly meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at The Westin Grand, 2350 M Street, NW, Washington, D.C., on Monday, April 22, 2002. Dr. Jay Sanders, Chair of the Committee, called the meeting to order at 1:00 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll on behalf of Mr. Jimmy Jackson, Secretary. Five of the eight members were present (there is one vacancy), representing a quorum:

Jackson, Jimmy  
Parrino, Cheryl  
Sanders, Dr. Jay

Swanson-Hull, Camie  
Talbott, Dr. Brian

One member joined the meeting in progress:

Rivera, Robert

One member was absent:

Lineberry, Isiah

Other Board members and officers of the Corporation present:

Gumper, Frank – Board member  
Haga, Robert – Assistant Treasurer

Others present for the meeting:

NAME	COMPANY
Blackwell, Mel	USAC
Delmar, Teleshia	USAC
England, Bill	USAC
Faunce, Donna	USAC
Flannery, Irene	USAC
Gallant, Pam	USAC
Jose, Stephanie	USAC
Majcher, Karen	USAC
Respress, Deborah	USAC
Rodda, Jim	USAC
Rolka, Dave	Rhoads & Sinon Group
Scott, Wayne	USAC
Simmons, Ann	USAC
Williams, Romanda	FCC

**ACTION ITEMS:**

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Rural Health Care Committee meeting of Wednesday, January 23, 2002. Dr. Sanders noted one change to the draft minutes in item #i4 Miscellaneous: the words “Office of Homeland Security” should be replaced with the words “Southern Governors’ Association.”
  
- a2. **Approval of 2002 Beneficiary Audit Strategy for the Rural Health Care Support Mechanism.** Mr. Scott reported to the Committee that the USAC’s internal audit staff would again be performing the Rural Health Care Audit for 2002. The USAC Internal Audit department, in consultation with Rural Health Care Division (RHCD) management and the CEO, selected the beneficiaries to be audited. The audit plan for these audits will closely follow the plan used last year; however, USAC is currently reviewing that plan to see if adjustments are warranted based on USAC’s experience to date.

Dr. Sanders noted that there were no significant deficiencies in the audit for 2001.

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

**RESOLVED**, That the USAC Rural Health Care Committee supports the USAC Executive Committee’s determination to approve the audit strategy for the 2002 Audit of Beneficiaries of the Rural Health Care Support Mechanism.

- a3. **Approval of 3<sup>rd</sup> Quarter 2002 and Revised Annual 2002 Rural Health Care Programmatic Budgets.** Ms. Faunce reviewed the 3<sup>rd</sup> Quarter 2002 programmatic budget for the Rural Health Care Support Mechanism and the revised annual 2002 budget. She stated that the annual budget needs to increase slightly from the annual budget approved in January because form volumes are exceeding those contained in USAC’s contract with NECA for program support services.

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

**RESOLVED**, That the USAC Rural Health Care Committee approves a 3<sup>rd</sup> Quarter 2002 programmatic budget for the Rural Health Care Support Mechanism of \$827,200; and

**RESOLVED FURTHER**, That the USAC Rural Health Care Committee approves a revised 2002 annual Rural Health Care programmatic budget of \$2,772,400.

- a4. **Approval of 3<sup>rd</sup> Quarter 2002 Rural Health Care Projections and Resolution on the May 2, 2002, FCC Filing.** Mr. Blackwell reported that based on the revised projections for Funding Year 2000, USAC recommends collecting an additional \$.041 million in 3Q2002. All funding commitment letters have been sent out and financial transactions are almost complete for Funding Year 2000. Demand projection for Funding Year 2001 is projected to be \$14.335 million and \$17.040 million for Funding Year 2002. Mr. Blackwell reviewed the details of the individual components of the funding requirement for the quarter. Attachment B, a graph of the total projected collections, and Attachment C, a graph of the total support disbursed were distributed at the meeting.

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

**RESOLVED**, That the USAC Rural Health Care Committee, having reviewed at its meeting on April 22, 2002, a summary of the 3Q2002 support mechanism estimates, including administrative costs provided in Attachment A, hereby directs USAC staff to proceed with the required May 2, 2002, filing to the FCC on behalf of the Committee. Staff may make adjustments if the variance is equal to or less than \$0.5 million or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but no more than \$1.0 million.

- a5. **Miscellaneous.** None

**INFORMATION ITEMS:**

- i1. **Rural Health Care Support Mechanism Update.** Mr. Blackwell gave an update to the Committee on the Rural Health Care support mechanism. He reviewed the status of electronic certification for program applicants, reported on a two-day planning meeting that USAC staff held with USAC's Rural Health Care program vendor to discuss possible program enhancements for Funding Year 2003, and said that USAC staff continues to hold monthly outreach conference calls with applicants and service providers. He distributed a graph showing a comparison of the number of applicants who have applied throughout all funding years.

Mr. Blackwell distributed and discussed the Federal Communications Commission's (FCC) Notice of Proposed Rulemaking (NPRM) concerning potential modification to the Rural Health Care Support Mechanism.

Mr. Blackwell distributed and discussed an updated "USAC Report on Health Care Providers Eligible for Support Under the Rural Health Care Universal Service Support Mechanism" dated April 5, 2002.



- i2. **Status of Appeals.** Mr. Blackwell reported that between January 1 and March 31, 2002, the Rural Health Care Division received five new letters of appeal. Two appeals were denied, two appeals were approved, and one appeal is pending. The appeals did not raise novel issues regarding the administration of the Rural Health Care Support Mechanism. One appeal from a previous quarter pending is before the FCC.
- i3. **Rural Health Care Support Mechanism Timeline and Key Dates.** For information only. No discussion held.
- i4. **Miscellaneous.**
- **An update on the Anti-Bio-terrorism Network.** Dr. Sanders updated the Committee on a presentation made to the Southern Governors' Association (SGA) and the support the FCC staff has expressed in the concept. He informed the Committee that the SGA had endorsed establishing a pilot connection between its member states.
  - **Evaluating the Rural Health Care Support Mechanism.** Dr. Sanders noted the desire of the Committee to be able to evaluate the overall effectiveness of the Rural Health Care Support Mechanism and **DIRECTED** staff to request the FCC for an update on the FCC's plan to evaluate the mechanism. Ms. Parrino reported on the presentation made at the Schools & Libraries Committee quarterly meeting about site visits to schools and libraries to see how the technology in place as a result of participation in the support mechanism is being used.

There being no further business, Dr. Sanders adjourned the meeting at 1:40 p.m.

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D. Scott Barash  
Assistant Secretary

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Date 042202RHcmin

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Rural Health Care Committee Meeting**

**July 22, 2002**

**MINUTES**

The quarterly meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at The Westin Grand, 2350 M Street, NW, Washington, D.C., on Monday, July 22, 2002. Mr. Isiah Lineberry, Vice Chair of the Committee, called the meeting to order at 1:03 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll. Four of the eight members were present (there is one vacancy), representing a quorum:

Lineberry Isiah – Vice Chair - *by telephone*

Parrino, Cheryl

Swanson-Hull, Camie – *by telephone*

Talbott, Dr. Brian

One member joined the meeting in progress:

Rivera, Robert

Two members were absent:

Jackson, Jimmy

Sanders, Dr. Jay – Chair

Other Board members and officers of the Corporation present:

Gumper, Frank – Board member

Barash, D. Scott – Assistant Secretary, Vice President & General Counsel

Blackwell, Mel – VP, External Communications & Rural Health Care Division

Carmichael, Mark – Assistant Treasurer; VP, Finance & Financial Operations

Haga, Robert – VP, Strategic Planning & USAC Operations

Others present for the meeting:

NAME	COMPANY
England, Bill	USAC
Faunce, Donna	USAC
Jortner, Wayne – <i>by telephone</i>	Maine Public Advocate Office
Jose, Stephanie	USAC

NAME	COMPANY
Lenhardt, Chris	USAC
Lipscomb, Greg	FCC
Miller, Linda	USAC
Newman, Jeff	State of California
Niebauer, Amanda	USAC
Rodda, Jim	USAC
Scott, Wayne	USAC
Simmons, Ann	USAC
Williams, Romanda	FCC

**ACTION ITEMS:**

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Rural Health Care Committee meeting of Monday, April 22, 2002.
- a2. **Approval of the Course of Action for Entering into a New Contract for the Rural Health Care and the Schools and Libraries Support Mechanisms Programmatic Support Services – Confidential & Proprietary – *Executive Session*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash explained that USAC management recommends that this matter be discussed in *Executive Session* because discussion and public disclosure at this time of these matters, which relate to USAC's *procurement strategy*, would compromise USAC's business negotiation strategy to the detriment of the Corporation and the Universal Service Support Mechanisms. Moreover, Mr. Barash advised the Committee that to the extent that these matters relate to the interpretation of contractual terms and conditions, discussion of these issues in open session would compromise USAC's *attorney-client privilege*.

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

**RESOLVED**, That the USAC Rural Health Care Committee determines that discussion of a strategy for contracting for programmatic support services for the Rural Health Care and the Schools and Libraries Support Mechanisms for years after June 30, 2003, shall be conducted in *Executive Session*.

See *Executive Session* for a report of this discussion and action taken.

- a3. **Approval of 4<sup>th</sup> Quarter 2002 and Revised Annual 2002 Rural Health Care Programmatic Budgets.** Ms. Faunce reviewed the 4<sup>th</sup> Quarter 2002 programmatic budget for the Rural Health Care Support Mechanism and the revised annual 2002 budget. She said that the revised annual 2002 programmatic budget allows for an increase of \$340,000 for the cost of processing an increased volume of forms.

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

**RESOLVED**, That the USAC Rural Health Care Committee approves a 4<sup>th</sup> Quarter 2002 programmatic budget for the Rural Health Care Support Mechanism of \$997,400; and

**RESOLVED FURTHER**, That the USAC Rural Health Care Committee approves an increase of \$340,000 in the 2002 annual Rural Health Care Support Mechanism programmatic budget for the cost of processing an increased volume of forms, resulting in a revised total annual programmatic budget of \$3,112,400.

Committee member Mr. Rivera joined the meeting during the discussion and before the vote on the next item.

- a4. Approval of 4<sup>th</sup> Quarter 2002 Rural Health Care Support Mechanism Projections and Resolution on the August 2, 2002, USAC Filing with the FCC.** Mr. Blackwell reviewed the projections for 4<sup>th</sup> Quarter 2002 including the details of the individual components of the funding requirement for the quarter as referenced in Attachment A.

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

**RESOLVED**, That the USAC Rural Health Care Committee, having reviewed at its meeting on July 22, 2002, a summary of the 4<sup>th</sup> Quarter 2002 support mechanism estimates, including administrative costs provided in Attachment A, hereby directs USAC staff to proceed with the required August 2, 2002, filing to the FCC on behalf of the Committee. Staff may make adjustments if the variance is equal to or less than \$0.5 million or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but no more than \$1.0 million.

- a5. Miscellaneous.** None

**INFORMATION ITEMS:**

- i1. Rural Health Care Support Mechanism Update.** Mr. Blackwell discussed the FCC Notice of Proposed Rulemaking (NPRM) released on April 19, 2002, seeking comments on a variety of potential changes to the Rural Health Care Support Mechanism. He reported that 68 initial comments were filed with the FCC. He distributed a summary of the respondents' comments.
- i2. USAC Internal Audit Status Report on USAC Audits.** Mr. Scott reported that for the Rural Health Care Support Mechanism Funding Year 2002, a number of Rural Health Care entities have been selected to be audited and most of the audits have been completed. Mr. Scott stated that the findings thus far do not reflect any systematic or control issues but involve clerical type errors such as the completion of one Form 467 regarding the start and stop dates of service and a duplicate submission. A final report will be provided at the October 2002 Committee meeting.
- i3. Status of Appeals.** Mr. Blackwell reported that between April 1 and June 30, 2002, the Rural Health Care Division received one new appeal. The appeal was denied. One appeal from a previous quarter was approved and one is pending before the FCC.
- i4. Rural Health Care Support Mechanism Timeline and Key Dates.** Mr. Blackwell noted that the Funding Year 2003 filing window will likely open in January as it has in previous years.
- i5. Miscellaneous.** None.

At 1:30 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for the purposes of discussing the confidential and proprietary item as noted above. The Committee adjourned from **Executive Session** and reconvened in open session at 1:38 p.m. to report the discussion of the Committee during **Executive Session**.

**EXECUTIVE SESSION:**

- a2. **Approval of the Course of Action for Entering into a New Contract for the Rural Health Care and the Schools and Libraries Support Mechanisms Programmatic Support Services – Confidential & Proprietary – Executive Session.** Mr. Blackwell reviewed the details and strategy of a new contract for programmatic support services for the Rural Health Care Universal Service Support Mechanism.

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

**RESOLVED**, That the USAC Rural Health Care Committee recommends that the USAC Board of Directors authorize USAC staff to enter into negotiations concerning a proposed extension of the current contract for programmatic support services for the Rural Health Care Universal Service Support Mechanism.

There being no further business, Mr. Lineberry adjourned the meeting at 1:40 p.m.

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D. Scott Barash  
Assistant Secretary

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Date

072202RHCmin

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Rural Health Care Committee Meeting**

**October 4, 2002**

**MINUTES**

A joint meeting of the Board of Directors of the Universal Service Administrative Company (USAC) and its Rural Health Care Committee was held at the USAC office in Washington, DC on Friday, October 4, 2002. Dr. Jay Sanders, Chair of the Committee, called the Rural Health Care Committee to order at 3:36 p.m. Eastern Time. Ms. Howard, Executive Assistant to the USAC CEO, called the roll. Seven of the eight members of the Committee were present (there is one vacancy), representing a quorum.

Jackson, Jimmy – *by telephone*  
Jortner, Wayne – *by telephone*  
Lineberry, Isiah – Vice Chair – *by telephone*  
Parrino, Cheryl – *by telephone*  
Rivera, Robert – *by telephone*  
Sanders, Dr. Jay – Chair – *by telephone*  
Talbot, Dr. Brian – *by telephone*

Other Board members and Officers of the Corporation present:

Buller, Karen – Board member – *by telephone*  
Cornell, Diane – Board member – *by telephone*  
Gumper, Frank – Board Chair – *by telephone*  
Hess, Kevin – Board member – *by telephone*  
Barash, D. Scott – Assistant Secretary; Vice President & General Counsel  
Blackwell, Mel – VP, External Communications & Rural Health Care Division  
Carmichael, Mark – Assistant Treasurer; VP, Finance & Financial Operations  
Haga, Robert – VP, Strategic Planning & USAC Operations  
McDonald, George – VP, Schools & Libraries Division

Others present for the meeting:

NAME	COMPANY
Faunce, Donna	USAC
Howard, Cathy – <i>by telephone</i>	USAC
Miller, Linda	USAC
Scott, Wayne	USAC

**ACTION ITEM:**

- a1. **Approval of Course of Action Regarding the Proposal by the National Exchange Carrier Association to Provide Continued Programmatic Support Services for the Rural Health Care and Schools and Libraries Universal Service Support Mechanisms – Confidential & Proprietary – *Executive Session*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter be discussed in *Executive Session* because public discussion of this matter, which relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund. Moreover, certain matters discussed in this document implicate the *attorney-client privilege* and, therefore, should not be discussed in open session.

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

**RESOLVED**, That the USAC Rural Health Care Committee determines that discussion of the course of action regarding the proposal by the National Exchange Carrier Association to provide continued programmatic support services for the Rural Health Care and Schools and Libraries Universal Service Support Mechanisms shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken by the Committee on this item.

The Board of Directors and Rural Health Care Committee immediately voted to go into *Executive Session* to address the confidential and proprietary item as noted above.

**EXECUTIVE SESSION:**

- a1. **Approval of Course of Action Regarding the Proposal by the National Exchange Carrier Association to Provide Continued Programmatic Support Services for the Rural Health Care and Schools and Libraries Universal Service Support Mechanisms – Confidential & Proprietary – *Executive Session*.** Mr. Blackwell stated that the National Exchange Carrier Association (NECA) has provided excellent support services for the Rural Health Care Support Mechanism during the first two years of the contract. Mr. Blackwell noted that on October 3, 2002, the Schools & Libraries Committee recommended that the Board of Directors approve the proposed extension of the contract with NECA. He reviewed the details of the proposed contract extension for programmatic support services for the Rural Health Care Support Mechanism. He discussed the term, cost, options, performance benchmarks, proposed software systems, and staffing needs of the contract proposal with respect to the Rural Health Care Support Mechanism. He also reviewed how the efficiencies proposed in the contract extension would allow for a significantly increased workload to be processed at or a lower price and for expanded measures to be used in the detection of waste, fraud, and abuse.

Mr. McDonald reviewed the details of the proposed contract extension for programmatic support services for the Schools and Libraries Support Mechanism. He focused on the software system changes being proposed and the long-term advantages of such systems to USAC compared with

the systems being used today. He reviewed how the enhancements proposed in the contract extension would mean significant improvements in efficiency, processing times, and customer satisfaction. Mr. Blackwell noted that the proposed extension represented the best overall value to the corporation at this time.

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

**RESOLVED**, That the USAC Rural Health Care Committee recommends that the USAC Board of Directors approve the proposed contract extension with the National Exchange Carrier Association, Inc., to provide programmatic support services for the Rural Health Care and Schools and Libraries Universal Service Support Mechanisms, subject to completion of satisfactory terms and conditions to be finalized by staff consistent with the authority granted by the Board of Directors.

The Board and Rural Health Care Committee adjourned from **Executive Session** and reconvened in open session at 4:10 p.m. to report the discussion and action taken by the Board and the Rural Health Care Committee during **Executive Session**.

There being no further business, Dr. Sanders adjourned the Rural Health Care Committee meeting at 4:11 p.m.

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D. Scott Barash  
Assistant Secretary

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Date

100402RHCmin



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Rural Health Care Committee Meeting**

**October 21, 2002**

**MINUTES**

The quarterly meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at The Westin Grand, 2350 M Street, NW, Washington, D.C., on Monday, October 21, 2002. Dr. Jay Sanders, Chair of the Committee, called the meeting to order at 1:00 p.m. Eastern Time and then welcomed new Board and Committee member Mr. Wayne Jortner. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll. Seven of the eight members were present (there is one vacancy), representing a quorum:

Jackson, Jimmy  
Jortner, Wayne  
Lineberry, Isiah – Vice Chair – *by telephone*

Parrino, Cheryl  
Rivera, Robert  
Sanders, Dr. Jay - Chair  
Talbott, Dr. Brian

Other Board members and officers of the Corporation present:

Gumper, Frank – Board Member  
Barash, D. Scott – Assistant Secretary, Vice President & General Counsel  
Blackwell, Mel – VP, External Communications & Rural Health Care Division  
Carmichael, Mark –Assistant Treasurer; VP, Finance & Financial Operations  
Haga, Robert – VP, Strategic Planning & USAC Operations

Others present for the meeting:

NAME	COMPANY
England, Bill	USAC
Faunce, Donna	USAC
Jose, Stephanie	USAC
Lipscomb, Greg	FCC
Parry, John	NECA
Scott, Wayne	USAC
Simmons, Ann	USAC

**ACTION ITEMS:**

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Rural Health Care Committee meetings of Monday, July 22, 2002, and Friday, October 4, 2002.
- a2. **Approval of the Rural Health Care Support Mechanism Funding Year 2003 Application Filing “Window” Length.** Mr. Blackwell stated that the Committee needed to determine the length of Funding Year 2003 application filing window. The proposed 70-day window for the filing of Forms 466/468 for Funding Year 2003 is consistent with the past filing windows. Mr. Blackwell noted that the Funding Year 2003 filing window would open in the first quarter of 2003; however, the exact date has not been established. Mr. Blackwell also outlined a series of improvements to the application process that could be implemented prior to the window opening if approved by the Federal Communications Commission (FCC).

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

**RESOLVED,** That the USAC Rural Health Care Committee approves establishing a 70-day window for the filing of Forms 466/468 for Funding Year 2003.

- a3. **Approval of 1<sup>st</sup> Quarter 2003 Rural Health Care Programmatic Budget and Information on Estimated 2003 Annual Budget.** Ms. Faunce, USAC’s Budget & Finance Analyst, reviewed the 1<sup>st</sup> Quarter 2003 programmatic budget for the Rural Health Care Mechanism and the estimated 2003 annual budget. The 2003 estimated annual programmatic budget is 10 percent lower than the 2002 budget and reflects the fixed price for USAC’s contract with NECA for programmatic support services negotiated in the recent extension of that contract previously approved by the Committee. The proposed 1<sup>st</sup> Quarter 2003 budget is 2 percent higher than 1<sup>st</sup> Quarter 2002 actual expenditures primarily due to the need for additional outreach to inform applicants of program improvements and changes adopted in the FCC Order.

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

**RESOLVED,** That the USAC Rural Health Care Committee approves a 1<sup>st</sup> Quarter 2003 Rural Health Care Support Mechanism budget of \$684,400.

- a4. **Approval of 1<sup>st</sup> Quarter 2003 Rural Health Care Support Mechanism Projections and Resolution on the November 1, 2002, FCC Filing.** Mr. Blackwell reviewed the projections for 1<sup>st</sup> Quarter 2003, including the details of the individual components for the Rural Health Care Support Mechanism funding requirement for the quarter.

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

**RESOLVED,** That the USAC Rural Health Care Committee, having reviewed at its meeting on October 21, 2002, a summary of the 1<sup>st</sup> Quarter 2003 support mechanism estimates, including administrative costs provided in Attachment A, hereby directs USAC staff to proceed with the required November 2, 2002, filing to the FCC on behalf of the Committee. Staff may make adjustments if the variance is equal to or less than \$0.5 million or may seek approval from the

Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but no more than \$1.0 million.

a5. **Miscellaneous.** None

**INFORMATION ITEMS:**

i1. **Rural Health Care Support Mechanism Update.** Mr. Blackwell updated the Committee on the status of the FCC's pending Notice of Proposed Rulemaking (NPRM) concerning the Rural Health Care Support Mechanism. All comments have been submitted to the FCC and USAC staff anticipates that an order modifying the program will be issued during the first quarter of 2003.

At the request of Mr. Gumper, Dr. Sanders gave the Committee an update on the Southern Governors' Association (SGA) initiative on homeland security. If the Homeland Security Bill is approved with certain health care provisions included, it could possibly bring an increase in requests for Universal Service Support from the Rural Health Care Support Mechanism due to additional or enhanced telecommunication services being purchased by eligible entities.

i2. **USAC Internal Audit Status Report on USAC Audits.** Mr. Scott, USAC's Director of Internal Audit, gave the Committee an update on the Rural Health Care Support Mechanism audits. Currently fieldwork has been completed on all of the planned audits. A final report will be provided at the January 2003 Committee meeting.

i3. **Status of Rural Health Care Support Mechanism Appeals.** Mr. Blackwell reported that between July 1 and September 30, 2002, USAC received three new letters of appeal for the Rural Health Care Support Mechanism. Two appeals were approved and one appeal was withdrawn by the applicant. One appeal from a previous quarter was approved and one appeal from a previous quarter is pending before the FCC. No appeals are currently pending before USAC.

i4. **Rural Health Care Support Mechanism Timeline and Key Dates.** Mr. Blackwell noted that the Funding Year 2003 filing window would likely open later in the first quarter than noted in the issue paper depending on the timing of the FCC's action on the NPRM.

i5. **Miscellaneous.** None.

There being no further business, Dr. Sanders adjourned the meeting at 1:45 p.m.

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D. Scott Barash

Assistant Secretary

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Date

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