

2008 Rural Health Care Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

January 22, 2008

MINUTES

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, January 22, 2008. Dr. Jay Sanders, Committee Chair, called the meeting to order at 11:30 a.m. Eastern Time. Seven of eight members of the Committee were present, representing a quorum:

Anderson, D. Michael

Jortner, Wayne

Barash, Scott – Acting CEO

Kragel, Dr. Peter – Vice Chair

Boyle, Anne

Sanders, Dr. Jay – Chair

Jackson, James

Ms. Lee Schroeder joined the meeting by telephone at 11:32 a.m.. Ms. Schroeder did not participate in the discussion of or vote on item a1.

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, William – Vice President, Rural Health Care Division

Erwin, W. B. – Vice President, Finance, and Assistant Treasurer

Holcombe, Jamie – Vice President, Information Systems

Jortner, Wayne – Member of the Board

Scott, Wayne – Vice President, Internal Audit Division

Talbott, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bhavsar, Tushar	USAC
Brooks, Whitney	USAC
Byrd, Pamela	USAC
Falkowitz, Ed	USAC
Grant, Colleen	USAC
Iversen, Eric	USAC
Johnson, Daniel	USAC
LeNard, David	USAC
Lenhardt, Chris	USAC
Machcinski, Thad	FCC
Nuzzo, Patsy	USAC
Perry, John	Solix
Rodriguez, Jose	FCC
Rogers, Camelia	USAC
Rovetto, Ed	USAC
Ruffley, Brandon	USAC
Samuel, Denise	USAC
Short, Don	USAC
Watterson, Stefani	USAC

<u>NAME</u>	<u>COMPANY</u>
Wilson, Reggie	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Approval of Rural Health Care Committee Meeting Minutes of October 22, 2007, November 28, 2007 and December 10, 2007.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of October 22, 2007, November 28, 2007 and December 10, 2007.
- a2. Approval of 2nd Quarter 2008 and 2008 Annual Rural Health Care Support Mechanism Programmatic Budgets.** Mr. Belden introduced this item to the Committee, noting that the key driver to the increase in budget included the additional work from the Rural Health Care Pilot Program. The proposed budget includes personnel, site visits, training, travel, education, printing and graphics, miscellaneous items, administration and outreach functions.

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

RESOLVED, that the USAC Rural Health Care Committee approves a 2nd Quarter 2008 Rural Health Care Support Mechanism budget of \$1.8 million and an annual 2008 programmatic budget for the Rural Health Care Support Mechanism of \$7.5 million.

- a3. Approval of 2nd Quarter 2008 Rural Health Care Support Mechanism Demand Projection for the February 1, 2008 FCC Filing.** Dr. England introduced this item to the Committee noting an adjustment to Attachment A, the fund size projections for 2nd quarter 2008, correcting the Rural Health Care Support Mechanism Demand projection for the quarter to \$61.18 million, and adjusting the total 2nd quarter 2008 Rural Health Care Support Mechanism funding requirements to \$58.94 million.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on January 22, 2008, a summary of the 2nd Quarter 2008 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required February 1, 2008 filing to the FCC. USAC 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 not more than \$1.0 million.

- a4. Recommendation for Annual Election of Committee Chair and Vice Chair.** Dr. Sanders introduced this item to the Committee. Mr. Jackson commended Dr. Sanders and Dr. Kragel for their service during 2007 as Committee Chair and Vice Chair, respectively. Mr. Jackson nominated Dr. Sanders and Dr. Kragel to again serve as Committee Chair and Vice Chair during 2008.

On a motion duly made and seconded and after discussion, 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 and Dr. Peter Kragel as Vice Chair of the USAC Rural Health Care Committee for a term that begins immediately following the conclusion of the January 23, 2008 Board of Directors meeting (whether by adjournment, postponement or recess) and ends when a successor to the Chair and/or Vice Chair has been elected or when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair's Board term expires.

- a5. Consideration of Increase in Scope for Project Management Support Services for the Rural Health Care Pilot Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the Rural Health Care Committee determines that consideration of the contract for project management services for the Rural Health Care Pilot Program shall be conducted in *Executive Session*.

- a6. Miscellaneous.** Dr. Sanders reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Sanders, Dr. Kragel or Dr. England between quarterly meetings.

INFORMATION ITEMS:

- i1. Rural Health Care Support Mechanism Update.** Dr. England presented this item to the Committee. In his presentation , Dr. England noted that:
- The FCC selected 69 Rural Health Care Pilot Program applicants for \$417.78 million in funding over three years, decoupling the funds for the Pilot Program from the traditional Rural Health Care Program.
 - The Rural Health Care Support Mechanism received 15 new appeals, increasing number of appeals pending to 16.
 - A monthly outreach call is conducted the second Thursday of each month for applicants and service providers.
 - USAC will conduct information and training sessions for Rural Health Care Pilot Program participants. USAC has created a Rural Health Care Pilot website and portal to administer the program.
 - USAC has held meetings with United States Department of Health and Human Services representatives to discuss the Rural Health Care Program, including the Pilot Program.
- i2. Rural Health Care Pilot Program Update.** Mr. Daniel Johnson, Senior Program Manager, Rural Health Care Division, presented this item to the Committee. USAC staff has had several discussions with FCC staff on administration of the pilot program and is actively establishing timelines and procedures for the administration and implementation of the pilot program. Data collection cannot begin until the Office of Management and Budget has approved the forms and additional worksheets submitted by the FCC. USAC plans to conduct bi-weekly conference calls leading up to extensive training sessions, which will be held in mid-February.
- i3. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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 Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

- i4. Miscellaneous.**

At 12:17 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION:

- a5. Consideration of Increase in Scope for Project Management Support Services for the Rural Health Care Pilot Program.** Mr. Belden introduced this item to the Committee.

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

RESOLVED, that the Rural Health Care Committee, having reviewed the recommendation of USAC management, hereby authorizes management to revise the engagement with Washington Consulting Inc. to provide project management services related to the Rural Health Care Pilot Program in an amount not-to-exceed \$380,000, which represents an increase of \$135,000 over the previously approved not-to-exceed contract of \$245,000, subject to receiving all required approvals from the FCC.

- i3. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** Mr. Barash presented this item to the Committee.

At 12:28 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from ***Executive Session*** and immediately reconvened in ***Open Session*** at which time, Dr. Sanders reported the Committee considered and took action on item a5 and discussed item i3 above in ***Executive Session***.

On a motion duly made and seconded, the Committee adjourned at 12:30 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

April 28, 2008

MINUTES

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, April 28, 2008. Dr. Jay Sanders, Committee Chair, called the meeting to order at 11:30 a.m. Eastern Time. Five of eight members of the Committee were present, representing a quorum:

Anderson, D. Michael

Kragel, Dr. Peter – Vice Chair – *by telephone*

Barash, Scott – Acting CEO

Sanders, Dr. Jay – Chair

Jortner, Wayne

Members of the Committee not present:

Boyle, Anne

Jackson, James

Schroeder, Lee

Other Board of Directors (Board) members and officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, William – Vice President, Rural Health Care Division

Erwin, W. B. – Vice President of Finance, and Assistant Treasurer

Holcombe, Jamie – Vice President of Information Systems

Simon, Phyllis – Member of the Board

Scott, Wayne – Vice President, Internal Audit Division

Talbott, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Bellavia, Leslie	USAC
Brooks, Whitney	USAC
Byrd, Pamela	USAC
Emmanuel, Jillian	USAC
Felton, Sharonda	USAC
Garvey, Sara	Washington Consulting
Grant, Colleen	USAC
Iversen, Eric	USAC
Lenhardt, Chris	USAC
Machcinski, Thad	FCC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC

<u>NAME</u>	<u>COMPANY</u>
Rogers, Camelia	USAC
Rovetto, Ed	USAC
Ruffley, Brandon	USAC
Samuel, Denise	USAC
Short, Don	USAC
Simms, Tiffany	USAC
Sotoodehfar, Sara	USAC
Trew, Anne Marie	USAC
Watterson, Stefani	USAC
Wilson, Reggie	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. **Approval of Rural Health Care Committee Meeting Minutes of January 22, 2008.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of January 22, 2008.

- a2. **Approval of 3rd Quarter 2008 Rural Health Care Support Mechanism Programmatic Budget.** Mr. Belden introduced this item to the Committee, noting there were no changes to the previously approved annual budget of \$8.4 million. Mr. Belden informed the Committee that the 3rd Quarter 2008 budget included funding for program support services provided by Solix, Inc., the transition to the information technology support services contractor, five full-time employees, and expenses to include site visits, training, and other administrative functions.

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

RESOLVED, that the USAC Rural Health Care Committee approves a 3rd Quarter 2008 Rural Health Care Support Mechanism budget of \$2.0 million.

- a3. **Approval of 3rd Quarter 2008 Rural Health Care Support Mechanism Demand Projection for the May 2, 2008 FCC Filing.** Dr. England introduced this item to the Committee, noting that the report had been reformatted to show only financial data. Mr. Barash noted that after the end of the Pilot Program and any extensions, any funds remaining will be rolled back into the support mechanism demand projection.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on January 22, 2008, a summary of the 3rd Quarter 2008 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required May 2, 2008 filing to the FCC. USAC 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 not more than \$1.0 million.

- a4. **Miscellaneous.** Dr. Sanders reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Sanders, Dr. Kragel or Dr. England between quarterly meetings.

INFORMATION ITEMS:

- i1. **Rural Health Care Support Mechanism Update.** Dr. England presented this item to the Committee. In his presentation, Dr. England noted that:
- The maps provided as part of this update depict the geographic location of applications by year and state. These materials were presented at the American Telemedicine Association Annual Meeting.
 - The Rural Health Care Support Mechanism received 28 new appeals. There are now 20 appeals pending.
- i2. **Rural Health Care Pilot Program Update.** Dr. England presented this item to the Committee, noting that two Pilot Program training sessions were conducted in the Washington, D.C. area. Representatives for 67 of the 69 Pilot Program projects attended the training. Feedback was positive and customer service coaches were available to meet with their assigned project representatives. USAC has finished the construction of a secure SharePoint site to accommodate form and data submission requirements for the Pilot Program. The first FCC Form 465 submission from a Pilot Program participant was posted on April 10, 2008. USAC continues to have regular discussions with FCC Staff on administration of the Pilot Program and has established timelines and procedures for administration and implementation.

Dr. England indicated that the FCC was aware of the status of the Pilot Program and seemed satisfied with program implementation progress based on the size and scope of the projects. Dr. Sanders recommended that the FCC evaluate the effectiveness of the Pilot Program.

Dr. Sanders expressed concern over the letter from the FCC Managing Director, dated April 14, 2008, regarding the procurement of program management services for the Pilot Program. Mr. Barash stated that USAC management is preparing a report for the Inspector General on this matter, which will be shared with the Committee. He noted that USAC worked within the parameters of the FCC-USAC Memorandum of Understanding and the limited information the FCC shared with USAC concerning the scope of the Pilot Project. Mr. Barash also noted that the final FCC Pilot Program order established a program approximately four times larger than had originally been anticipated based on discussions with FCC staff, thus requiring additional resources to manage the project.

- i3. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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 Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

- i4. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee, noting that the USAC Internal Audit Division plans to conduct a number of randomly selected beneficiary audits throughout 2008.
- i5. Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee, noting that there was one Rural Health Care audit open and follow-up will be presented for consideration at a future Committee meeting.

At 12:19 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* with only members of the Committee, Board members, USAC officers and FCC staff present for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- i3. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** Mr. Barash presented this item to the Committee.

At 12:33 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time, Dr. Sanders reported the Committee discussed item i3 above in **Executive Session**. The Committee, in discussing item i3, indicated to management that it should proceed as planned with the May 5, 2008 deadline for submission of bids for the Schools and Libraries and Rural Health Care Program support services solicitation.

On a motion duly made and seconded, the Committee adjourned at 12:34 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

June 19, 2008

MINUTES

A non-quarterly joint meeting of the Rural Health Care Committee, the Schools & Libraries Committee and the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Thursday, June 19, 2008. At the request of Dr. Peter Kragel, Vice Chair of the Rural Health Care Committee, and Anne Campbell, Chair of the Schools & Libraries Committee, Dr. Talbott chaired the combined meeting. The meeting was called to order at 12:02 p.m. Eastern Time with quorums of six of eight Rural Health Care Committee members present, six of seven Schools & Libraries Committee members present and 12 of 19 Board members present. Following is a list of the attendees:

Barash, Scott – Acting CEO
Boyle, Anne – *by telephone*
Campbell, Anne – School & Libraries Committee Chair – *by telephone*
Gillan, Joseph – *by telephone*
Jackson, Jimmy – Board Vice Chair – *by telephone*
Jortner, Wayne – USAC Treasurer – *by telephone*
Knowles, Rex – *by telephone*
Kragel, Dr. Peter – Rural Health Care Committee Vice Chair and USAC Secretary – *by telephone*
McClure, David – *by telephone*
Schroeder, Lee – *by telephone*
Simon, Phyllis – *by telephone*
Talbott, Dr. Brian – Board Chair – *by telephone*

Dr. Anne Bryant, Schools & Libraries Committee Vice Chair, joined the meeting by telephone at 12:14 pm. Eastern Time. She did not vote on or participate in the discussion of item a1.

Ms. Joycelyn Tate joined the meeting at 12:35 p.m. Eastern Time. She did not vote on or participate in the discussion of items a1 or a2.

Members of the Board not present:

Anderson, D. Michael

Joseph, Kevin

Lubin, Joel

Sanders, Dr. Jay

Williams, Jason

Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools and Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Bill – Vice President, Rural Health Care Division – *by telephone*

Erwin, W.B. – Vice President of Finance and Assistant Treasurer

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Cain, Jonathan	Mintz Levin
Carroll, Kristy	USAC – <i>by telephone</i>
Iversen, Eric	USAC
Nuzzo, Patsy	USAC
Reed, David	FCC
Rodriguez, Jose	FCC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. Election of Directors to the USAC Board of Directors.** Dr. Talbot introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Joseph Gillan to the USAC Board of Directors for a term beginning June 19, 2008 and continuing until December 31, 2008, and Rex M. Knowles to the USAC Board of Directors for a term beginning June 19, 2008 and continuing until December 31, 2009; and

RESOLVED FURTHER, that each of the aforementioned directors shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws.

- a2. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Operational Support Services.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

On a motion duly made and seconded, the Rural Health Care and Schools & Libraries Committees and the Board adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in *Executive Session*.

RESOLVED, that the USAC Schools & Libraries Committee determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in *Executive Session*.

RESOLVED, that the USAC Board of Directors determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in *Executive Session*.

INFORMATION ITEMS:

- i1. Miscellaneous. Discussion of FCC OIG USF Audit Program Status.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to *pre-decisional matters before the Federal Communications Commission*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the FCC OIG USF audit program shall be conducted in *Executive Session*.

At 12:09 p.m. Eastern Time, on a motion duly made and seconded, the Schools & Libraries and Rural Health Care Committees and the Board moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION

- a2. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Operational Support Services.** Mr. Barash presented this item to the Schools & Libraries and Rural Health Care Committees and the Board. Mr. Barash, other members of the USAC management team and counsel for the company answered questions from Board members concerning the procurement process, discussions held with the FCC concerning the procurement, and next steps in completing the procurement.

On a motion duly made and seconded and after discussion, the Rural Health Care and Schools & Libraries Committees and the Board adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED]¹, for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

¹ Information concerning the recommend vendor, the term and the not-to-exceed cost of the contract has been redacted from these minutes because the procurement is under review at the FCC and a contract has not been awarded to the selected vendor. Once the FCC has approved the procurement and a contract award has been made, the minutes will be revised.

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED], for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

RESOLVED, that the USAC Board of Directors having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED], for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

Mr. Knowles abstained from voting noting his recent nomination to the Board of Directors.

- i1. Miscellaneous. FCC OIG USF Audit Program Status.** Mr. Barash discussed this item with the Board.

At 12:45 p.m. Eastern Time, on a motion duly made and seconded, the Schools & Libraries and Rural Health Care Committees and the Board adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Dr. Talbott reported that action was taken on item a2 above and item i1 above was discussed in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 12:47 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

July 28, 2008

MINUTES

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 28, 2008. Dr. Jay Sanders, Committee Chair, called the meeting to order at 11:32 a.m. Eastern Time with a quorum of all eight Committee members present.

Anderson, Mike

Jortner, Wayne

Barash, Scott – Acting CEO

Kragel, Dr. Peter – Vice Chair

Boyle, Anne

Sanders, Dr. Jay – Chair

Jackson, Jimmy

Schroeder, Lee – *by telephone*

Other Board of Directors (Board) members and officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

England, William – Vice President, Rural Health Care Division

Erwin, W. B. – Vice President of Finance and Assistant Treasurer

Gillan, Joe – Member of the Board

Holcombe, Jamie – Vice President of Information Systems

Knowles, Rex – Member of the Board

Scott, Wayne – Vice President of Internal Audit

Simon, Phyllis – Member of the Board

Tate, Joycelyn – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Brooks, Whitney	USAC
Byrd, Pamela	USAC
George, Mabo	USAC
Haines, Marcus	USAC
Holden, Lyle	USAC
Iversen, Eric	USAC
Johnson, Daniel	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rasmussen, Mary	FCC
Rogers, Camelia	USAC
Sarsour, Mike	SAIC
Short, Don	USAC
Simms, Tiffany	USAC
Watterson, Stefani	USAC

<u>NAME</u>	<u>COMPANY</u>
Wilson, Reggie	USAC
Wilson, Reggie	USAC
Yee, Kim	FCC

ACTION ITEMS:

a1. Approval of Rural Health Care Committee Meeting Minutes of April 28, and June 19, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of April 28 and June 19, 2008.

a2. Approval of 4th Quarter 2008 Rural Health Care Support Mechanism Programmatic Budget. Mr. Belden introduced this item to the Committee, noting there were no changes to the proposed budget from the annual budget previously approved by the Committee. Mr. Belden informed the Committee that the 4th Quarter 2008 budget included funding for program support services provided by Solix, Inc., the transition to SAIC (the Schools and Libraries and Rural Health Care information technology support services contractor), five full-time employees, and expenses for site visits, training, and other administrative functions.

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

RESOLVED, that the USAC Rural Health Care Committee approves a 4th Quarter 2008 Rural Health Care Support Mechanism budget of \$2.0 million.

a3. Approval of 4th Quarter 2008 Rural Health Care Support Mechanism Demand Projection for the August 1, 2008 FCC Filing. Dr. England introduced this item to the Committee, noting the projected demand estimated for 2007 was \$53 million and for 2008 the annualized 2008 estimate was \$58.80 million.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on July 28, 2008, a summary of the 4th Quarter 2008 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required August 1, 2008 filing to the FCC. USAC 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 not more than \$1.0 million.

- a4. Consideration of Program-Specific USF Stakeholder Engagement Strategies.** Mr. Eric Iversen, Director of External Relations, presented this item to the Committee, noting that at the April 2008 meeting the Board of Directors discussed the BearingPoint contract set to expire in November. Two strategies were presented: one to make a clean break from BearingPoint; and the second to ramp-down the contract and eventually transition site visits and other components of the Engagement Strategy in-house to USAC. The Board requested details of the strategy allowing USAC to assume internal control be provided to the Board and the programmatic committees at their next quarterly meetings.

Mr. Iversen stated that a goal of the USF Stakeholder Engagement Strategy is to engage program stakeholder audiences in education and communications about opportunities for USF support designed to promote knowledge of and compliance with program rules and positive program outcomes. Mr. Iversen indicated that this strategy would reduce cost and define clear roles for the External Relations Division, which will continue to include outreach activities such as site visits. The external relations team would serve as the hub for planning, development, and execution, with the four program divisions and the USAC Finance team serving as spokes. The external relations team will support a variety of engagement activities, ranging from how to use presentation tools to developing program reference materials to planning and executing group trainings and workshops.

In response to Mr. Jortner's questions, Mr. Iversen confirmed that cost savings would stem from phasing out BearingPoint. Dr. Kragel questioned how USAC would measure the success of the program. Mr. Iversen stated that while improved program outcomes would take time to achieve, measures could include website hits, evaluation forms and feedback from program participants. Mr. Belden also noted that if the front-end training and outreach is successful, USAC should see a reduction in appeals and improved audit results.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed USAC management's recommendation, approves the proposed program-specific USF stakeholder engagement strategy and hereby authorizes USAC management to proceed with plans and commitments for implementation of the proposed activities.

- a5. Miscellaneous.** Dr. Sanders reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Sanders, Dr. Kragel or Dr. England between quarterly meetings.

INFORMATION ITEMS:

- i1. Rural Health Care Support Mechanism Update.** Dr. England presented this item to the Committee. In his presentation, Dr. England noted that:
- For Funding Year 2007, USAC received a record 3,566 FCC Form 465s and a record 6,502 packets from a record 2,820 health care providers.
 - As the volume of program participation increases, the appeals volume is also increasing. USAC currently has 20 appeals under review.
- i2. Rural Health Care Pilot Program Update.** Dr. England presented this item to the Committee, noting that in last quarter's update, the first FCC Form 465 and request for proposals (RFPs) were posted for the Rural Health Care Pilot Program in April 2008. One Form 466-A and a Network Cost Worksheet were received for that project in May. No other Form 465s were posted or Form 466-As received for Pilot Program participants in Funding Year 2007. USAC expects many projects to start posting RFPs, Form 465s, and Form 466s for Funding Year 2008. USAC is assisting project coordinators with letters of agency, RFPs, and Form 465 preparation by discussing project specific concepts and issues and reviewing draft documents.

Mr. Jortner asked if all of the Pilot Program applicants are moving forward. Dr. England indicated that some applicants were requesting permission to merge and other applicants have not been in contact with USAC. Dr. England noted that the 1st Quarter report is due on July 30, 2008, and an applicant failing to submit a report may be at risk of losing funding.

In response to questions from Mr. Anderson and Dr. Kragel, Dr. England commented that it appears as though some equipment identified in applicant proposals approved by the FCC may not be eligible and the applicants are trying to find alternate funding for ineligible portions of their applications. Mr. Jortner asked of the planned merger of Internet 2 (I2) and National Lambda Rail (NLR), which was abandoned, will affect program applicants. Dr. England responded that applicants wanting to select without competitive bid either of these service providers were required to stipulate in their applications whether they intended to use I2 or NLR, and, if they did not, then the applicants will have to competitively bid for the services.

- i3. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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 Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

At 12:20 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* with only Board members, USAC officers and FCC staff present for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

i3. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation. Mr. Barash presented this item to the Committee.

At 12:40 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time, Dr. Sanders reported the Committee discussed item i3 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 12:41 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

October 27, 2008

MINUTES

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, October 28, 2008. Dr. Peter Kragel, Vice Chair, called the meeting to order at 11:32 a.m. Eastern Time. Six of eight Committee members were present representing a quorum:

Anderson, Mike	Jackson, Jimmy
Barash, Scott	Kragel, Dr. Peter – Vice Chair
Jortner, Wayne	Schroeder, Lee – <i>by telephone</i>

Members of the Committee not present:

Boyle, Anne
Sanders, Dr. Jay

Other Board of Directors (Board) members and officers of the corporation presents:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Campbell, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
England, Dr. William – Vice President, Rural Health Care Division
Erwin, W. B. – Vice President of Finance and Assistant Treasurer
Holcombe, Jamie – Vice President of Information Systems
Knowles, Rex – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Simon, Phyllis – Member of the Board
Talbot, Dr. Brian – Member of the Board

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Brooks, Whitney	USAC
Byrd, Pamela	USAC
Iversen, Eric	USAC
Lenhardt, Chris	USAC
Machcinski, Thad	FCC

McKinley, Larry	FCC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Rasmussen, Mary	USAC
Short, Don	USAC
Watterson, Stefani	USAC
Winstead, Laura N.	FCC

ACTION ITEMS:

Approval of Rural Health Care Committee Meeting Minutes of July 28, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of July 28, 2008.

Approval of 1st Quarter 2009 Rural Health Care Programmatic Budget and Information on the Estimated 2009 Annual Budget. Mr. Belden introduced this item to the Committee, noting that based on current operational responsibilities and requirements, as expressed in the September 9, 2008 FCC-USAC Memorandum of Understanding (MOU), USAC staff estimates a budget of \$15.8 million will be required for Rural Health Care Support Mechanism programmatic activities in 2009. This budget is approximately \$8.3 million (111%) higher than the 2008 budget. The primary driver of the increase in the 2009 programmatic budget is the FCC OIG USF audit program, which increased by \$7.1 million over 2008. Program administration contract costs will increase due to the workload associated with increased program support requests in the base Rural Health Care Program and the Rural Health Care Pilot Program. Mr. Belden reported that the Rural Health Care Program team is proposing to add three full time employees to its current staff, bringing the total headcount to eight. This increase in headcount supports the new stakeholder engagement strategy, new requirements in the updated MOU and the workload associated with Round 3 of the FCC OIG USF audit program. The budget includes \$7.4 million in program costs (including final costs associated with the transition of program information technology support from Solix to SAIC), \$7.1 million for Round 3 of the FCC OIG USF audit program, \$1.0 million to fund eight full-time employees (a proposed increase of three from 2008), \$0.3 million for travel, training, education, printing & graphics, and miscellaneous administrative and outreach functions.

Mr. Jortner commented that the FCC OIG USF Audit Program costs now dwarf the regular program administrative costs. Mr. Jortner asked for a report on historical administrative costs with the costs associated with the FCC OIG USF audit program excluded. Mr. Belden will provide this information.

In response to a question from Dr. Kragel, Mr. Belden stated that the estimated costs for FCC OIG USF audit program Round 3 Rural Health Care beneficiary audits is based on the costs incurred in Round 1. More accurate cost estimates will be provided once the sample is received from the FCC OIG.

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

RESOLVED, that the USAC Rural Health Care Committee approves a 1st Quarter 2009 Rural Health Care Support Mechanism budget of \$4.4 million.

Approval of 1st Quarter 2009 Rural Health Care Support Mechanism Demand Projection for the October 31, 2008 FCC Filing. Dr. England presented this item to the Committee. To clarify the prior period adjustment reported in the issue paper, Mr. Erwin explained that the 3Q2008 billings were higher than projected revenues reported by contributors in their quarterly revenues projections.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on October 27, 2008, a summary of the 1st Quarter 2009 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required October 31, 2008 filing to the FCC. USAC 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 not more than \$1.0 million.

Action on Four USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Performance Audit Reports. Mr. Chris Lenhardt, Internal Audit Supervisor, presented this item to the Committee.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed the USAC Internal Audit Division Rural Health Care Support Mechanism beneficiary audit reports labeled RH2008BE001, RH2008BE002, RH2008BE003 and RH2008BE004, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such reports final.

Action on One Rural Health Care Division Follow-Up Operational Audit Report. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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 USAC Internal Audit Division Rural Health Care Support Mechanism Operational Follow-Up Audit Report labeled RH2008FL011 shall be conducted in *Executive Session*.

Miscellaneous. Solicit Ideas for January 2009 Committee Meeting Agenda. Dr. Kragel reminded the Committee members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Sanders, Dr. Kragel or Dr. England between quarterly meetings.

INFORMATION ITEMS:

Rural Health Care Support Mechanism Update. **Dr. England presented this item to the Committee, commenting that the most significant accomplishment was the transition of program support information technology system management from Solix to SAIC.** Dr. England reported that one new appeal was received this quarter with 11 previous appeals pending.

Semiannual Status Report on Ongoing USAC Audits. **Mr. Scott presented this item to the Committee.** Dr. Kragel asked if there was a benchmark for dollars expended on audits to recoveries. Mr. Barash commented that there are benchmarks (e.g., the United States Department of Health and Human Services had recently released a report). However, the requirement that USAC conduct attestation audits of program beneficiaries makes comparisons to benchmarks difficult.

Semiannual Status Report on Actions Taken on Final USAC Audits. **Mr. Scott presented this item to the Committee, noting that for an audit listed in the report, once the audit is closed with no further action outstanding (e.g., funds have been recovered), the audit is not included in the next report.** Mr. Scott requested that Committee members provide USAC management with feedback concerning the usefulness and content of the report.

Rural Health Care Pilot Program Update. **Dr. England presented this item to the Committee, noting that two projects had FCC Form 465s in review, five projects had forms posted, seven projects were expected to have forms posted within the next 28 days, and 55 projects had no activity.** Weekly communications occur with representatives of each project. Quarterly reports from the projects, which were due in July, indicated that the majority of projects had nothing to report. The next quarterly reports are due October 30, 2008. Recent communications with project participants focused on having a project plan that can be sustainable beyond the life of the project. The FCC's Wireline Competition Bureau Chief joined one of the bi-weekly conference calls to participate in a question and answer session with project participants. The FCC has also provided further clarification on building networks with excess capacity and sharing costs between eligible and ineligible entities.

In response to a question asked by Mr. Jortner, Dr. England stated that no projects have been identified as unsuccessful; but many sites are under review to verify eligibility. In response to a question from Dr. Kragel, Dr. England reported that two sets of projects have formally petitioned the FCC to merge, while several other projects may try to combine.

Dr. England reported that the first Pilot Program funding commitment has been made for approximately \$500,000.

Schools and Libraries and Rural Health Care Program Support Services Solicitation Update. **In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that discussion of this item be conducted in Executive Session because this matter relates to USAC's procurement strategy and contract administration.**

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 Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

At 12:14 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION ITEMS:

- a5. Action on One Rural Health Care Division Follow-Up Operational Audit Report.** Mr. Lenhardt, Internal Audit Supervisor, presented this item to the Committee.

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

RESOLVED, that the USAC Rural Health Care Committee, having reviewed the USAC Internal Audit Division Rural Health Care Support Mechanism Operational Follow-up Audit Report labeled RH2008FL011, together with management's responses thereto, hereby accepts the recommendation of USAC management and recommends to the USAC Audit Committee that the report be deemed final.

- i5. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** Mr. Barash presented this item to the Committee.

At 12:23 p.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Dr. Kragel reported that in *Executive Session* the Committee took action on item a5 and discussed item i5 above.

On a motion duly made and seconded, the Committee adjourned at 12:24 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary