

2009 Rural Health Care Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

January 26, 2009

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, January 26, 2009. 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 – <i>by telephone</i>	Kragel, Dr. Peter – Vice Chair
Boyle, Anne	Sanders, Dr. Jay – Chair
Gillan, Joe	

Ms. Lee Schroeder joined the meeting by telephone at 11:34 a.m. Eastern Time. She did not vote on item a1.

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

Belden, Richard – Chief Operating Officer

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

Feiss, Geoff – Member of the Board

Holcombe, Jamie – Vice President of Information Systems

Jortner, Wayne – Member of the Board

Knowles, Rex – Member of the Board

Scott, Wayne – Vice President, Internal Audit Division

Talbott, Dr. Brian – Board Chair

Others present for the meeting:

NAME	COMPANY
Ahuja, Natasha	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Ayalur, Rekha	USAC
Ellis, Tess	USAC
Falkowitz, Ed	USAC
Iversen, Eric	USAC
Johnson, Daniel	USAC
McKinley, Larry	FCC
Mhadji, Idari	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Petrowski, Ed	Solix
Rodriguez, Jose	FCC
Rogers, Camelia	USAC
Scott, Amy	Embarq
Seeber, Jennifer	Embarq
Short, Don	USAC
Stoll, Barbara	Embarq
Turner, Sharon	Embarq
Watterson, Stefani	USAC
Yee, Kim	FCC

ACTION ITEMS:

a1. Approval of Rural Health Care Committee Meeting Minutes of October 27, 2008.

On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of October 27, 2008.

a2. Approval of 2nd Quarter 2009 and 2009 Annual Rural Health Care Support Mechanism Programmatic Budget.

Mr. Belden introduced this item to the Committee. In response to a question from Ms. Boyle, Mr. Belden reported that the Rural Health Care Program is seeing an increase in applications for benefits of approximately 10-15%. In response to a question from Dr. Sanders, Dr. England reported the USAC staff has begun discussions with FCC staff concerning Pilot Program applicant audits. In response to a question from Dr. Kragel, Mr. Belden reported that the primary drivers of increasing Program administrative costs are the Pilot Program and an increase in applications for benefits under the regular Program.

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 2009 Rural Health Care Support Mechanism budget of \$4.4 million and a 2009 annual Rural Health Care Support Mechanism budget of \$16.3 million.

- a3. Approval of 2nd Quarter 2009 Rural Health Care Support Mechanism Demand Projection for the January 30, 2009 FCC Filing.** Dr. England introduced this item to the Committee. In response to a question from Mr. Jortner, Mr. Erwin reported that the large variance in the prior period adjustment from last quarter was due to a billing misclassification in 3rd Quarter 2008 for the Rural Health Care and Schools and Libraries Program, which was remedied through an adjustment in 4th Quarter 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, having reviewed at its meeting on January 26, 2009, a summary of the 2nd Quarter 2009 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required January 30, 2009 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. Action on Six USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Performance Audit Reports.** Mr. Scott 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 USAC Rural Health Care Committee, having reviewed the USAC Internal Audit Division Rural Health Care Support Mechanism beneficiary audit reports labeled RH2008BE005, RH2008BE006, RH2008BE007, RH2008BE008, RH2008BE009 and RH2008BE010, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such reports final.

- a5. Recommendation for Annual Election of Committee Chair and Vice Chair.** Dr. Sanders introduced this item to the Committee. Dr. Kragel nominated Dr. Sanders to be Committee Chair, and Mr. Jortner nominated Dr. Kragel to be Committee Vice Chair.

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 Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, 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.

- a6. **Miscellaneous.** Solicit Ideas for the April 2009 Committee Agenda. 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, noting that the Rural Health Care Program reached a record \$53 million in funding commitments for the Program and \$253 million in commitments to date for the life of the Program.
- i2. **Rural Health Care Pilot Program Update.** Dr. England presented this item to the Committee.
- 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 12:26 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. Belden presented this item to the Committee.

At 12:34 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**. Dr. Sanders also noted the Committee's continued frustration with the lack of response from Commission staff to USAC's recommendation for Schools and Libraries and Rural Health Care Program Support Services Solicitation, which both the Schools & Libraries and Rural Health Care Committees approved and referred to Commission staff for review in June 2008.

On a motion duly made and seconded, the Committee adjourned at 12:36 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

March 12, 2009

MINUTES

A 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 Thursday, March 12, 2009. Dr. Brian Talbott, Acting Chair, called the meeting to order at 4:09 p.m. Eastern Time. Four of the eight Committee members were present representing a quorum:

Anderson, D. Michael – *by telephone*

Gillan, Joe – *by telephone*

Barash, Scott – Acting CEO – *by telephone*

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

Mr. Wayne Jortner joined the meeting by telephone at 4:10 p.m. Eastern Time. He voted on items a1 and a2.

Dr. Jay Sanders joined the meeting by telephone at 4:18 p.m. Eastern Time. He voted on items a1 and a2.

Committee members not present:

Boyle, Anne

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

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Bryant, Dr. Anne – Member of the Board – *by telephone*

Campbell, Anne – Member of the Board – *by telephone*

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Bill – Vice President, Rural Health Care Division

McClure, David – Member of the Board – *by telephone*

Ridley, Carolyn – Member of the Board – *by telephone*

Simon, Phyllis – Member of the Board – *by telephone*

Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

NAME
Nuzzo, Patsy

COMPANY
USAC

ACTION ITEMS:

- a1. **Rural Health Care and Schools and Libraries 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* and this discussion is *subject to the attorney-client privilege*.

On a motion duly made and seconded and after discussion, 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*.

- a2. **Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract Extension.** 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 and after discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee determines that consideration of the contract extension for the Rural Health Care and Schools and Libraries Program Support Services Agreement shall be conducted in *Executive Session*.

At 4:11 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 item noted above.

EXECUTIVE SESSION:

- a1. Rural Health Care and Schools and Libraries Program Support Services Solicitation Update.**
Mr. Barash 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 accepts the recommendation of USAC management and hereby authorizes USAC to request reconsideration of the March 5, 2009 decision of the FCC Deputy Managing Director to deny USAC's request to award a contract under the Schools & Libraries and Rural Health Care program support services solicitation and his directive to recompute the procurement.

- a2. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract Extension.** Mr. Barash presented this item to the Committee noting that the actual need for a contract extension would be determined by the outcome of further conversations with the FCC.

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

RESOLVED, that the USAC Rural Health Care Committee, accepts management's recommendation and hereby approves an extension to the contract between USAC and Solix, Inc. under the terms set forth by management in this issue paper for Rural Health Care and Schools and Libraries program support services for the period July 1, 2009 through June 30, 2011; and

RESOLVED FURTHER, that management is hereby authorized to finalize the terms and conditions of the proposed agreement, and upon receiving FCC approval, execute the proposed contract extension with Solix, Inc. and proceed with its implementation.

At 4:43 p.m. Eastern Time, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time Dr. Talbott reported that in **Executive Session** the Committee took action on items a2 and a3 above.

On a motion duly made and seconded, the Committee adjourned at 4:44 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

April 27, 2009

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 27, 2009. Dr. Peter Kragel, Committee Vice Chair, called the meeting to order at 11:32 a.m. Eastern Time with a quorum of six of the eight Committee members present.

Anderson, D. Michael

Gillan, Joe

Barash, Scott – Acting CEO

Jortner, Wayne

Boyle, Anne

Kragel, Dr. Peter – Vice Chair

Ms. Lee Schroeder joined the meeting by telephone at 11:37 a.m. Eastern Time. She did not vote on items a1 and a2.

Members of the Committee not present:

Sanders, Dr. Jay

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

Belden, Richard – Chief Operating Officer

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

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

Feiss, Geoff – Member of the Board

Holcombe, Jamie – Vice President of Information Systems

Ridley, Carolyn – Member of the Board

Scott, Wayne – Vice President, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Beard, Jay	USAC
Bellavia, Leslie	USAC
Ellis, Tess	USAC
Iversen, Eric	USAC
Johnson, Daniel	USAC
Lenhardt, Chris	USAC
McKinley, Larry	FCC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Short, Don	USAC
Watterson, Stefani	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Approval of Rural Health Care Committee Meeting Minutes of January 26, 2009 and March 12, 2009.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of January 26, 2009 and March 12, 2009.

- a2. Approval of 3rd Quarter 2009 and Revised 2009 Rural Health Care Support Mechanism Programmatic Budgets.** Mr. Belden presented this item to the Committee, noting that the only change to the budget from the version presented at the April 27, 2009 meeting was the removal of funding for Round 4 of the FCC OIG USF audit program as directed by the USAC Board of Directors during its January 27, 2009 meeting.

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 2009 Rural Health Care Support Mechanism budget of \$3.7 million and a revised 2009 annual Rural Health Care Support Mechanism budget of \$16.2 million.

- a3. Approval of 3rd Quarter 2009 Rural Health Care Support Mechanism Demand Projection for the January 30, 2009 FCC Filing.** Mr. Belden 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 at its meeting on April 27, 2009, a summary of the 3rd Quarter 2009 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required May 1, 2009 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. Action on One USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Performance Audit Report** Mr. Scott 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 report labeled RH2008BE012, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such report final.

- A5. Miscellaneous.** Solicit ideas for the July 2009 Committee Agenda. Dr. Kragel reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Sanders, Dr. Kragel, Mr. Barash or Dr. England between quarterly meetings.

INFORMATION ITEMS:

- i1. **Rural Health Care Support Mechanism Update.** Mr. Belden presented this item to the Committee, noting that Rural Health Care Program funding year 2008 demand is expected to exceed \$60 million.
- i2. **Rural Health Care Pilot Program Update.** Mr. Belden presented this item to the Committee, noting that Mr. Barash, Mr. Belden and Dr. England recently met with FCC Acting Chairman Copps to provide a status report on the Rural Health Care Pilot Program. Several Committee members inquired as to how the “fair share” payment process in the Pilot Program is structured and how applicants can learn more about this aspect of the program. Mr. Johnson provided an overview of “fair share” to the Committee and reported that when an applicant contacts USAC about “fair share,” the applicant is provided with information on general parameters and asked to present its plans to USAC.
- 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.**
- i5. Semiannual Status Report on Actions Taken on Final USAC Audits. **Mr. Scott presented this item to the Committee.**

At 12:08 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 12:23 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. Kragel reported the Committee discussed item i3 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 12:25 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

July 27, 2009

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 27, 2009. Dr. Peter Kragel, Committee Vice Chair, called the meeting to order at 11:32 a.m. Eastern Time with a quorum of six of the eight Committee members present:

Anderson, Michael
Barash, Scott – Acting CEO
Gillan, Joe

Jortner, Wayne
Kragel, Dr. Peter – Vice Chair
Schroeder, Lee – *by telephone*

Ms. Anne Boyle joined the meeting by telephone at 11:45 a.m. Eastern Time. She did not participate in the discussion of or vote on items a1, a2 and a3.

Members of the Committee not present:

Sanders, Dr. Jay

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

Belden, Richard – Chief Operating Officer

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

Feiss, Geoff – Member of the Board

Lubin, Joel – Member of the Board

Ridley, Carolyn – Member of the Board

Scott, Wayne – Vice President of Internal Audit

Simon, Phyllis – Member of the Board

Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Bellavia, Leslie	USAC
Ellis, Tess	USAC
Iversen, Eric	USAC
Johnson, Daniel	USAC
Lenhardt, Chris	USAC
Machcinski, Thad	FCC
McKinley, Larry	FCC
Mhadji, Idari	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Permyakov, Andrey	USAC
Reynolds, Daniel	USAC
Rodriguez, Jose	FCC
Rogers, Camelia	USAC
Sardana, Sudhir	USAC
Short, Don	USAC
Theodoropoulos, Nikoletta	USAC
Thorsell, Dean	SAIC
Watterson, Stefani	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Approval of Rural Health Care Committee Meeting Minutes of April 27, 2009.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of April 27, 2009.
- a2. Approval of 4th Quarter 2009 and Revised 2009 Annual Rural Health Care Support Mechanism Programmatic Budgets.** Mr. Belden presented this item to the Committee, noting that the negative amount requested for approval for 4th Quarter results from a budget reduction due to removal of budget funding for Round 3 of the FCC Office of

Inspector General USF audit program. Mr. Belden further noted that the Rural Health Care (RHC) Division will require \$1.8 million to administer the Rural Health Care primary and Pilot Programs during 4th Quarter 2009.

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

RESOLVED, that the USAC Rural Health Care Committee approves a 4th Quarter 2009 Rural Health Care Support Mechanism budget of negative \$3.2 million and a revised 2009 annual Rural Health Care Support Mechanism budget of \$9.3 million.

- a3. Approval of 4th Quarter 2009 Rural Health Care Support Mechanism Demand Projection for the July 31, 2009 FCC Filing.** Dr. England presented this item to the Committee.

On a motion duly made, 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 27, 2009, a summary of the 4th Quarter 2009 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required July 31, 2009 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.** Solicit ideas for the October 2009 Committee Agenda. Dr. Kragel reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Sanders, Dr. Kragel, Mr. Barash or Dr. England between quarterly meetings.

INFORMATION ITEMS:

- i1. Rural Health Care Support Mechanism Update.** Dr. England presented this item to the Committee, noting that

- The Funding Year 2009 window opened on April 9, 2009. USAC has received a total of 2,720 FCC Form 465 applications and 178 FCC Form 466/466-A packets for funding.

- The Funding Year 2008 filing window closed on June 30, 2009. USAC received a record 7,286 FCC Form 466/466-A packets, a 13% increase over FY 2007.
- The USAC Information Systems Division continued its efforts to stabilize the wide-area network used for application processing and to develop system enhancements to increase automation and operations efficiency.
- Two new full time staff members joined the RHC Division.
- The overall total of RHC Program beneficiary appeals pending remained low this quarter at seven. The RHC Division met its goal of processing appeals within 90 days of receipt.

In response to a question from Dr. Kragel, Dr. England reported that there are approximately 3,000 primary program beneficiaries and 6,000 Pilot Program participants, with approximately 2,000 participants in both the primary program and the Pilot Program.

- i2. Rural Health Care Pilot Program Update.** Dr. England presented this item to the Committee, noting that funding commitments have been issued to ten applicants and five applicants have received funding disbursements. Dr. England also noted that the competitive bidding requirements of the Pilot Program have been a challenge for many applicants, and a number of applicants are having difficulty providing their 15% share of funding required under Pilot Program rules. He also stated that 42 requests for proposals (RFPs) have been posted by Pilot Program applicants. Dr. England stated that RHC Division staff attempts to talk with each Pilot Program applicant every two weeks and several applicants have not been responsive. In response to a question from Dr. Kragel, Dr. England reported that when one or more applicants seek to merger their participation in the Pilot Program into a single project, the applicants initiate the request for approval with the FCC.

In response to questions from Mr. Feiss, Dr. England stated that applicants must document how they will pay their 15% share of costs associated with their participation in the Pilot Program; USAC then reviews each applicant's Pilot Program participation plan to check whether the applicant's program appears to be sustainable after Pilot Program funding has ended; and the then FCC Wireline Competition Bureau Chief established guidelines for fair share payments by ineligible entities participating in the Pilot Program in an October 24, 2008 letter to USAC.

- 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 12:33 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 12:27 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. Kragel reported that the Committee discussed item i3 above in ***Executive Session***. On a motion duly made and seconded, the Committee adjourned at 12:28 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

October 26, 2009

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 26, 2009. Dr. Jay Sanders, Committee Chair, called the meeting to order at 11:48 a.m. Eastern Time, with a quorum of five of the eight Committee members present:

Barash, Scott – Acting CEO
Boyle, Anne
Gillan, Joe

Kragel, Dr. Peter – Vice Chair
Sanders, Dr. Jay – Chair

Ms. Lee Schroeder joined the meeting by telephone at 11:49 a.m. Eastern Time. She participated in all agenda items.

Members of the Committee not present:

Anderson, D, Michael
Jortner, Wayne

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

Belden, Richard – Chief Operating Officer
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
Feiss, Geoff – Member of the Board
Holcombe, Jamie – Vice President of Information Technology
Jacobs, Ellis – Member of the Board
Knowles, Rex – Member of the Board

Ridley, Carolyn – Member of the Board

Scott, Wayne – Vice President of Internal Audit

Simon, Phyllis – Member of the Board

Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Bellavia, Leslie	USAC
Iversen, Eric	USAC
Lenhardt, Chris	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Reynolds, Daniel	USAC
Short, Don	USAC
Thorsell, Dean	SAIC
Watterson, Stefani	USAC
Yee, Kim	FCC
Mitchell, Jeff	USAC

ACTION ITEMS:

- a1. **Approval of Rural Health Care Committee Meeting Minutes of July 27, 2009.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of July 27, 2009.

- a2. **Approval of 1st Quarter 2010 Rural Health Care Support Mechanism Programmatic Budget and Information on the Estimated 2010 Annual Budget.** Mr. Belden presented this item to the Committee, noting that the proposed budget includes funds for the USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and the Improper Payments Information Act (IPIA) assessment program.

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

RESOLVED, that the USAC Rural Health Care Committee approves a 1st Quarter 2010 Rural Health Care Support Mechanism budget of \$2.2 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee directs USAC staff to submit a collection requirement of \$2.2 million for Rural Health Care Support Mechanism administrative expenses in the required November 2, 2009 filing to the FCC on behalf of the Committee.

- a3. Approval of 1st Quarter 2010 Rural Health Care Support Mechanism Demand Projection for the November 2, 2009 FCC Filing.** Dr. England presented this item to the Committee. Mr. Barash informed the Committee that, absent the Committee's objection, USAC staff has revised the approval thresholds for variances between the final demand projections and the projections presented today as follows: increased the approval threshold for USAC staff from \$500,000 to \$1 million; and increased the approval threshold for the Committee Chair from \$1 million to \$2 million, after which a Committee meeting would be required to approve a revised projection. Mr. Barash explained that when the original thresholds were established, Rural Health Care Support Mechanism demand was much lower, and as the program has grown, the revised projections are more consistent with the current amount of program demand. The Committee did not object to the revised thresholds as set forth in the motion.

On a motion duly made, 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 26, 2009, a summary of the 1st Quarter 2010 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required November 2, 2009 filing to the FCC. USAC staff may make adjustments if the variance is equal to or less than \$1.0 million, or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$1.0 million, but not more than \$2.0 million.

- a4. Miscellaneous.** Solicit ideas for the January 2010 Committee Agenda. 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, Mr. Barash or Dr. England between quarterly meetings.

INFORMATION ITEMS:

- i1. Rural Health Care Support Mechanism Update.** Dr. England presented this item to the Committee, noting that:

- The Funding Year 2009 window opened on April 9, 2009. USAC has received a total of 3,225 FCC Form 465 applications and 1,186 FCC Form 466/466-A packets for funding. Dr. England also reported that USAC staff is starting to process the Funding Year 2009 packets, approximately three months earlier than last year.
- The Rural Health Care Program team continues to work closely with USAC Information Technology (IT) staff to develop system enhancements that increase automation and operating efficiency of application processing and to plan for future systems modernization.
- Rural Health Care Program beneficiary appeals remained low this quarter at 12.
- The Rural Health Care Program has begun outreach efforts designed to assist health care providers with gaining a better understanding of the program and the application process required to receive funding.

i2. Rural Health Care Pilot Program Update. Dr. England presented this item to the Committee. Dr. England introduced Jeff Mitchell as the new Pilot Program Director. Dr. England reported that the number of Pilot Program projects has been reduced to 62 due to mergers of projects and \$30 million of the total \$417 million of Pilot Program funds have been committed.

i3. 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*.

i4. Semiannual Status Report on Ongoing USAC Audits. Mr. Scott presented this item to the Committee.

i5. Semiannual Status Report on Actions Taken on Final USAC Audits. Mr. Scott presented this item to the Committee.

At 12:20 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. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.**
Mr. Barash presented this item to the Committee.

At 12:22 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 that the Committee discussed item i3 above in **Executive Session**.

OPEN SESSION:

- i6. Miscellaneous.** Mr. Feiss presented data on the Rural Health Care Pilot Program in Montana.

On a motion duly made and seconded, the Committee adjourned at 12:38 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary