

# **Universal Service Administrative Company (USAC)**

## **Rural Health Care**

Presented at the ATA Annual Conference: May 17, 2010

**Introduction to USAC and RHC**  
**Trends in Universal Service Support**  
**Keep the Money Coming**  
**Pilot Program: Overview and Status**  
**FCC National Broadband Plan**

# Introduction to USAC and RHC

William England, Ph.D., J.D.  
Vice President, Rural Health Care Division

## What is USAC?

USAC administers the Universal Service Fund on behalf of the Federal Communications Commission (FCC). There are four divisions within USAC:

**Low Income**

**High Cost**

**Schools and  
Libraries**

**Rural Health  
Care**

- **Low Income:** provides discounts on basic, local phone service to low income residents (\$1.3B)
- **High Cost:** ensures access to telecom across the nation at rates comparable to urban areas (\$4.5B)
- **Schools and Libraries:** provides discounts on eligible services to schools, school districts and libraries (\$2.25B)
- **Rural Health Care:** ensures access to telecom & internet for rural health care providers at rates comparable to urban areas (\$70M)

## Two Programs:

**Primary Program** supports monthly recurring cost of urban/rural difference of telecom cost and 25% of Internet Access.

**Pilot Program** supports up to 85% of cost to build broadband networks for health care. (Program closed to new networks.)

## Who is eligible?

- not-for-profit hospitals
- rural health clinics
- post-secondary educational institutions offering healthcare instruction, teaching hospitals, and medical schools
- community health centers or health centers providing health care to migrants
- local health departments or agencies
- community mental health centers
- consortium of health care providers, consisting of rural not-for-profit hospitals
- dedicated emergency depts. of rural for-profit hospitals
- part-time eligible entities

# Trends in Universal Service Support for Rural Health Care



William England, Ph.D., J.D.  
Vice President, Rural Health Care Division



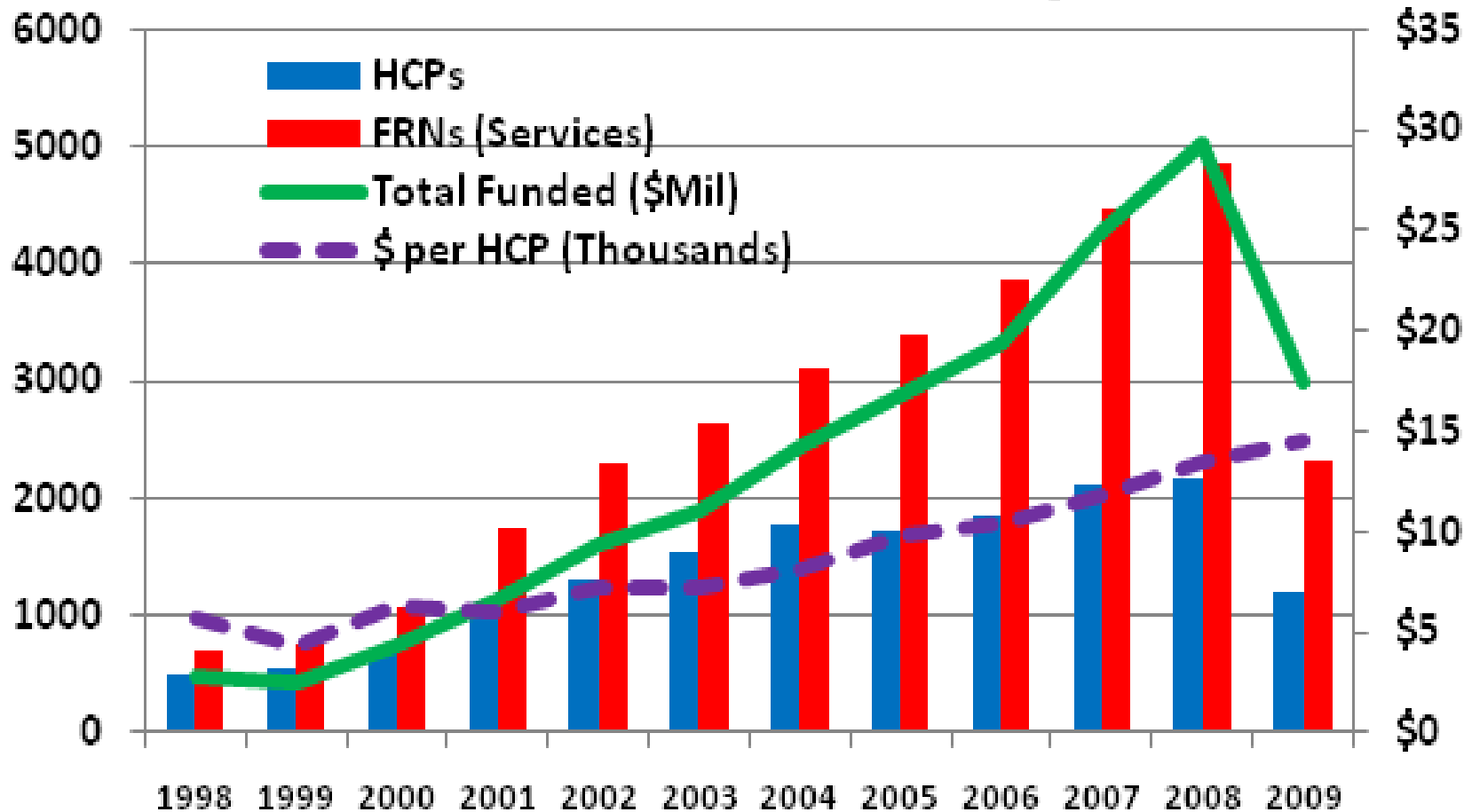
# Rural Health Care Program

## Application Counts\*

Funding Year	2005	2006	2007	2008	2009	2010
Form 465's Posted	3,444	3,353	3,564	3,563	3,791	439
Percent E-Certed	65%	75%	74%	79%	79%	100%
Health Care Ed Inst	34	32	32	23	24	
Community health ctr	357	389	352	389	298	11
Local health dept	596	513	404	383	395	121
Comm mental health ctr	271	270	312	304	306	7
Not-for-profit hospital	1,105	1,047	1,120	1,102	1,182	127
Rural health clinic	1,028	1,092	1,337	1,360	1,583	173
Consortium of above	40	3				
ER of for-profit hospital	12	7	7	2	3	
Part-time eligible entity	1					

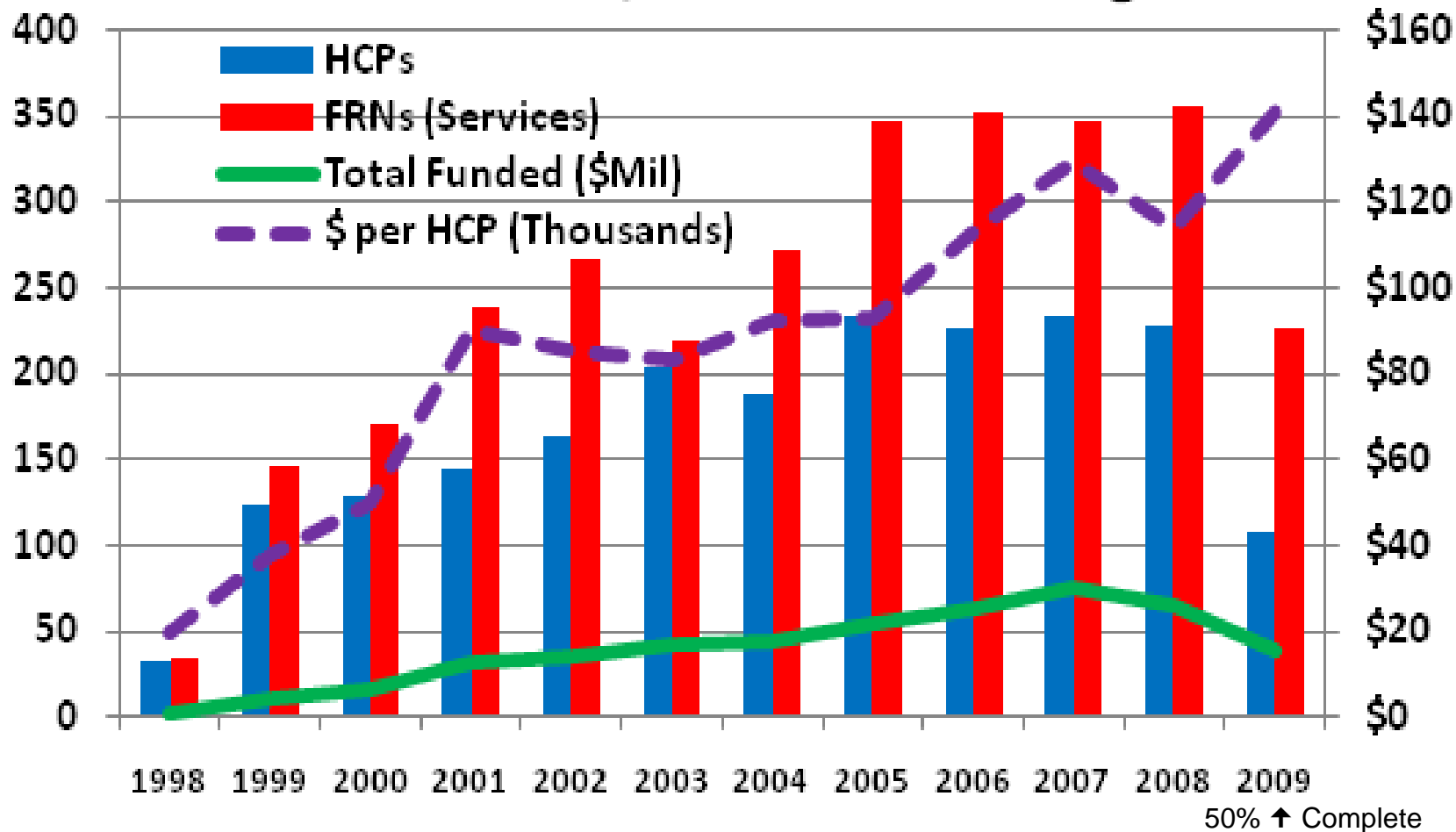
\*as of March 31, 2010

## HCPs, FRNs and Funding

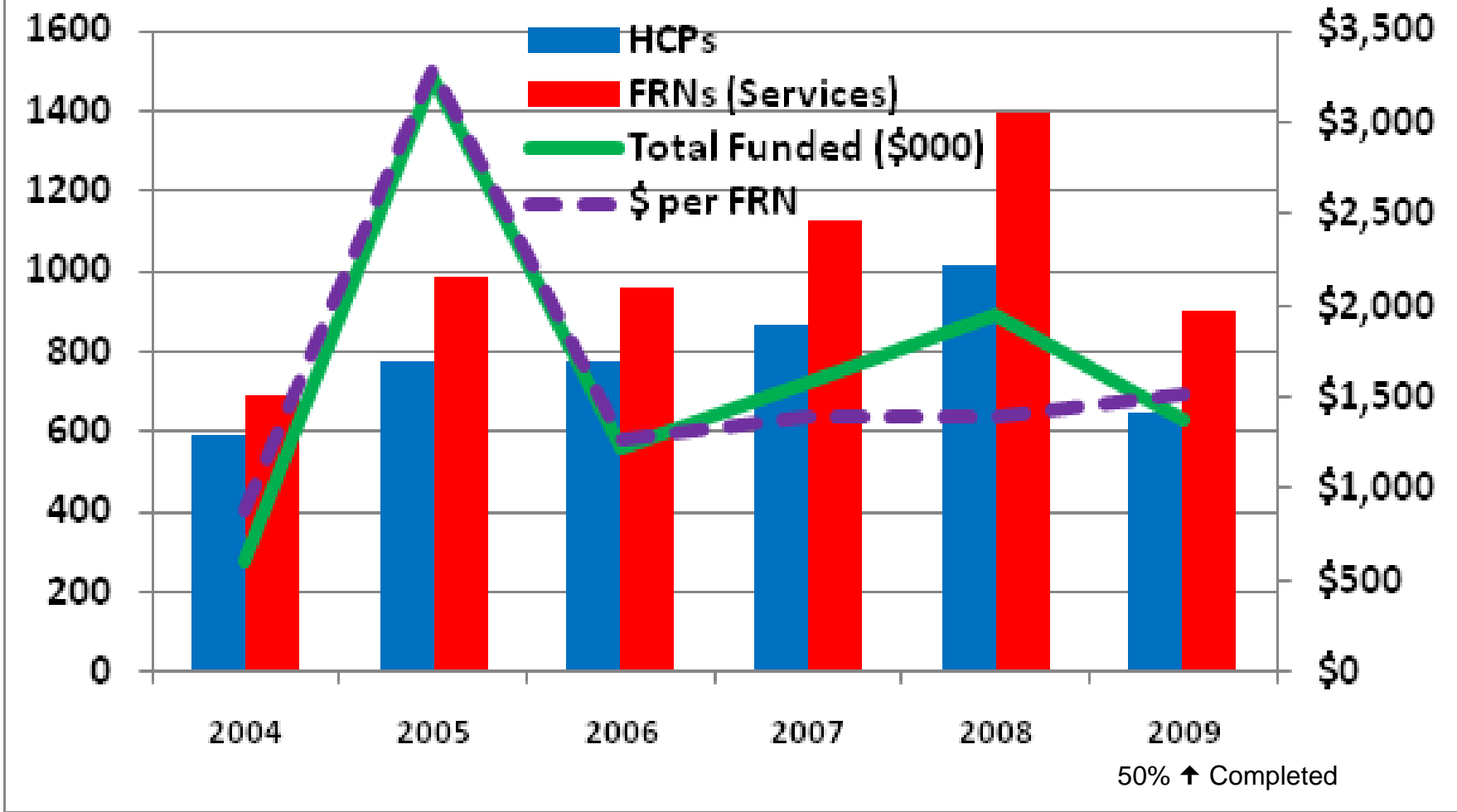


50% ↑ Completed

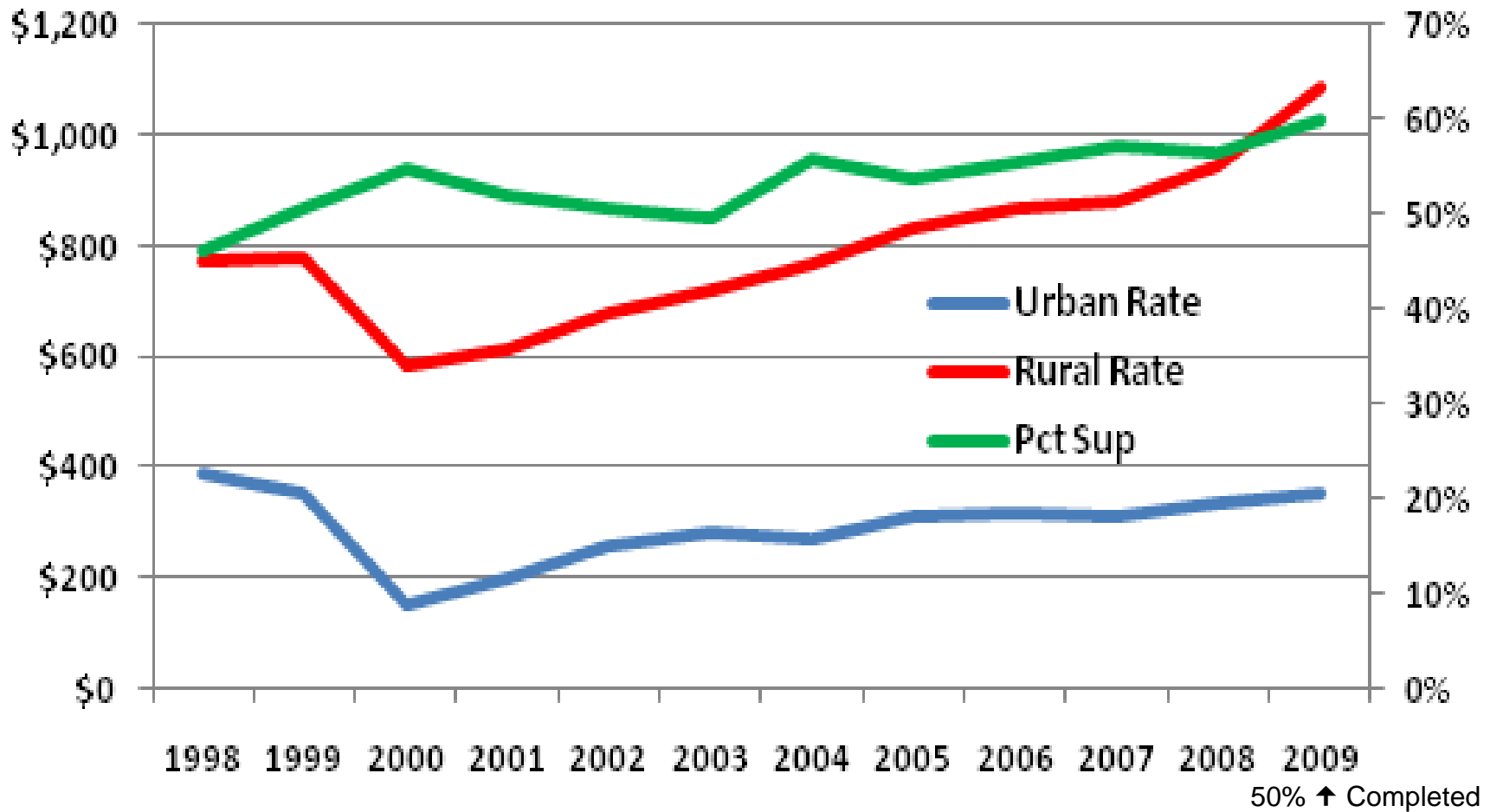
## Alaska HCPs, FRNs and Funding



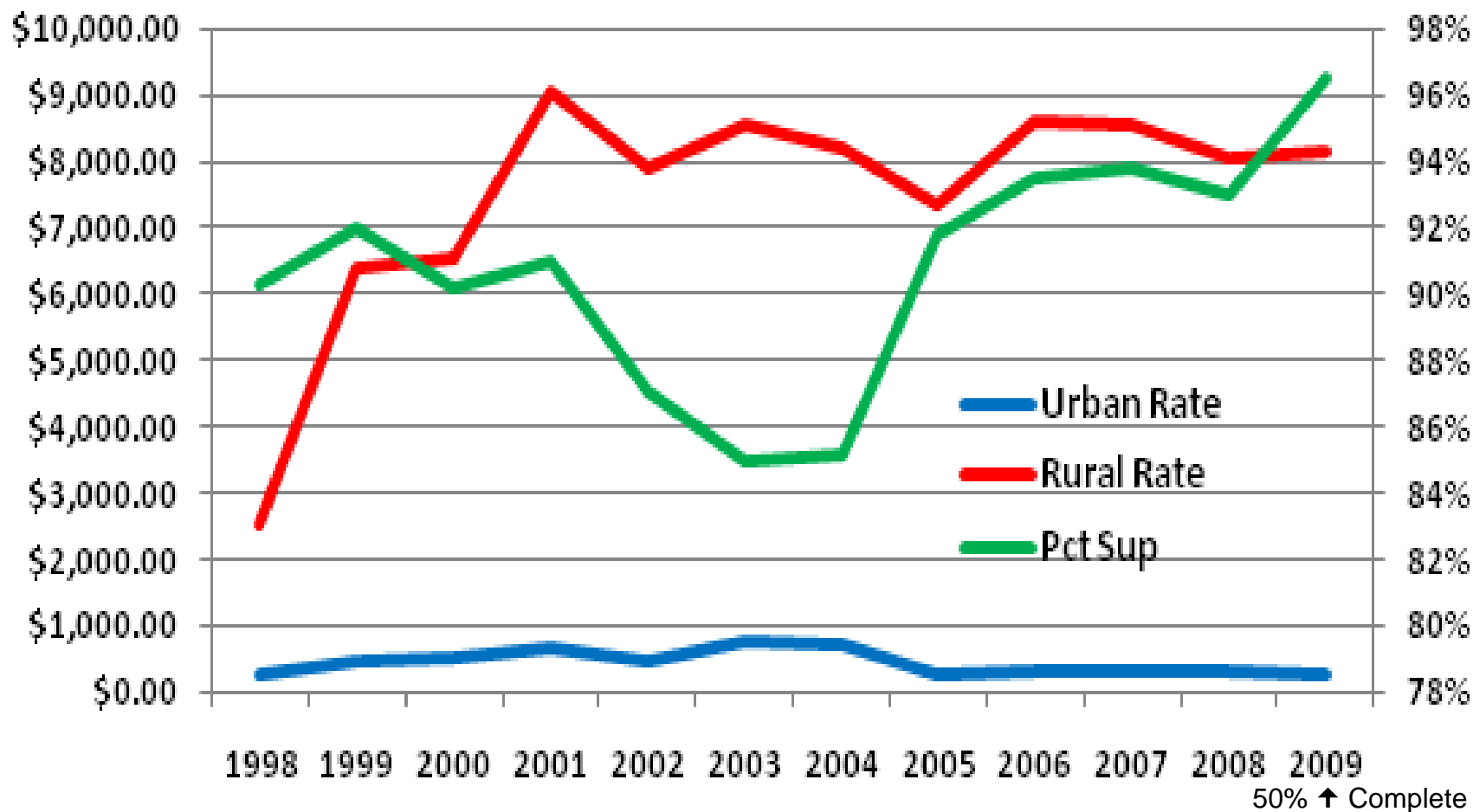
## HCPs, FRNs and Funding for Internet



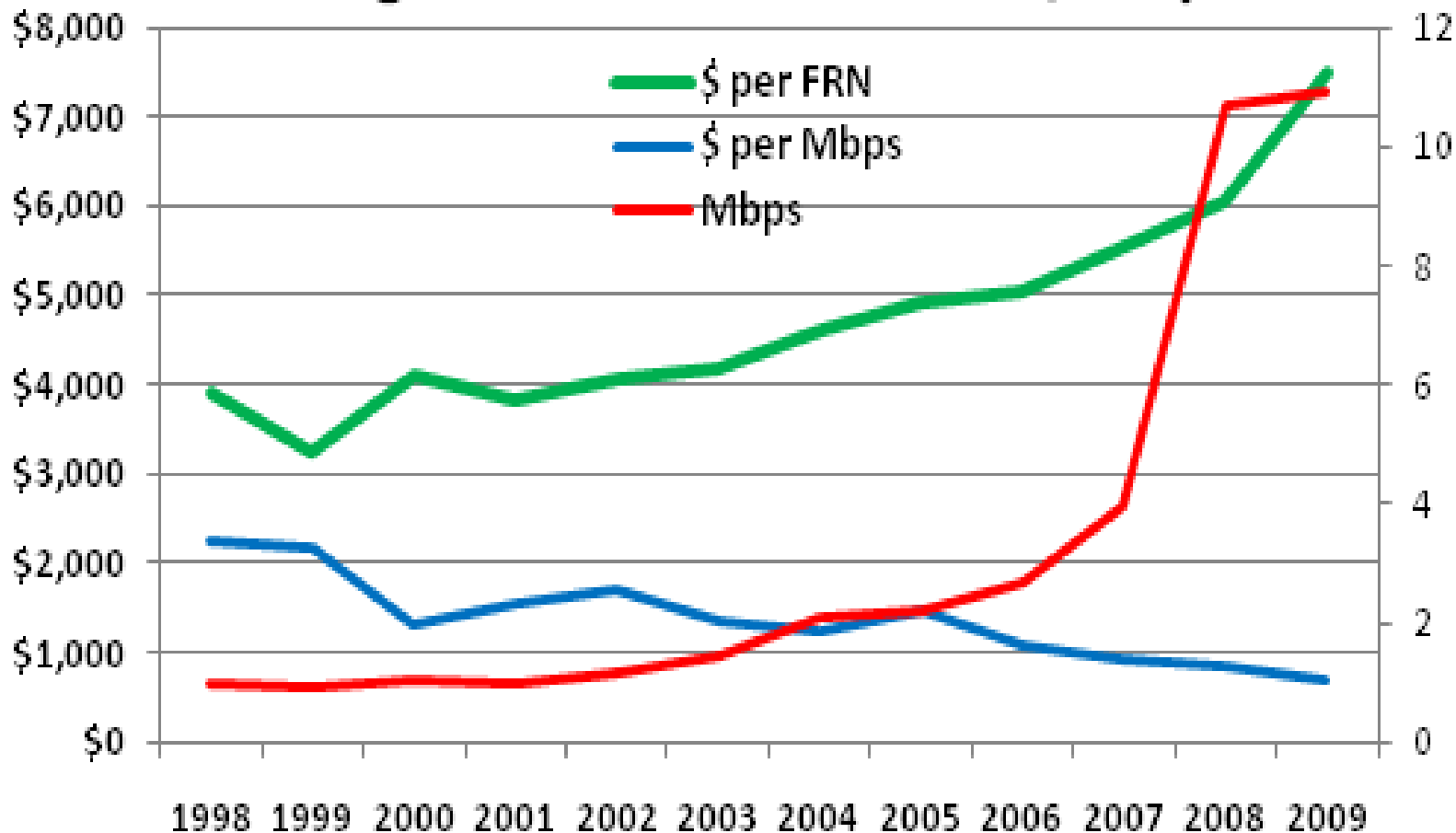
## Average Rates and Pct Support



## Alaska Average Rates and Pct Support

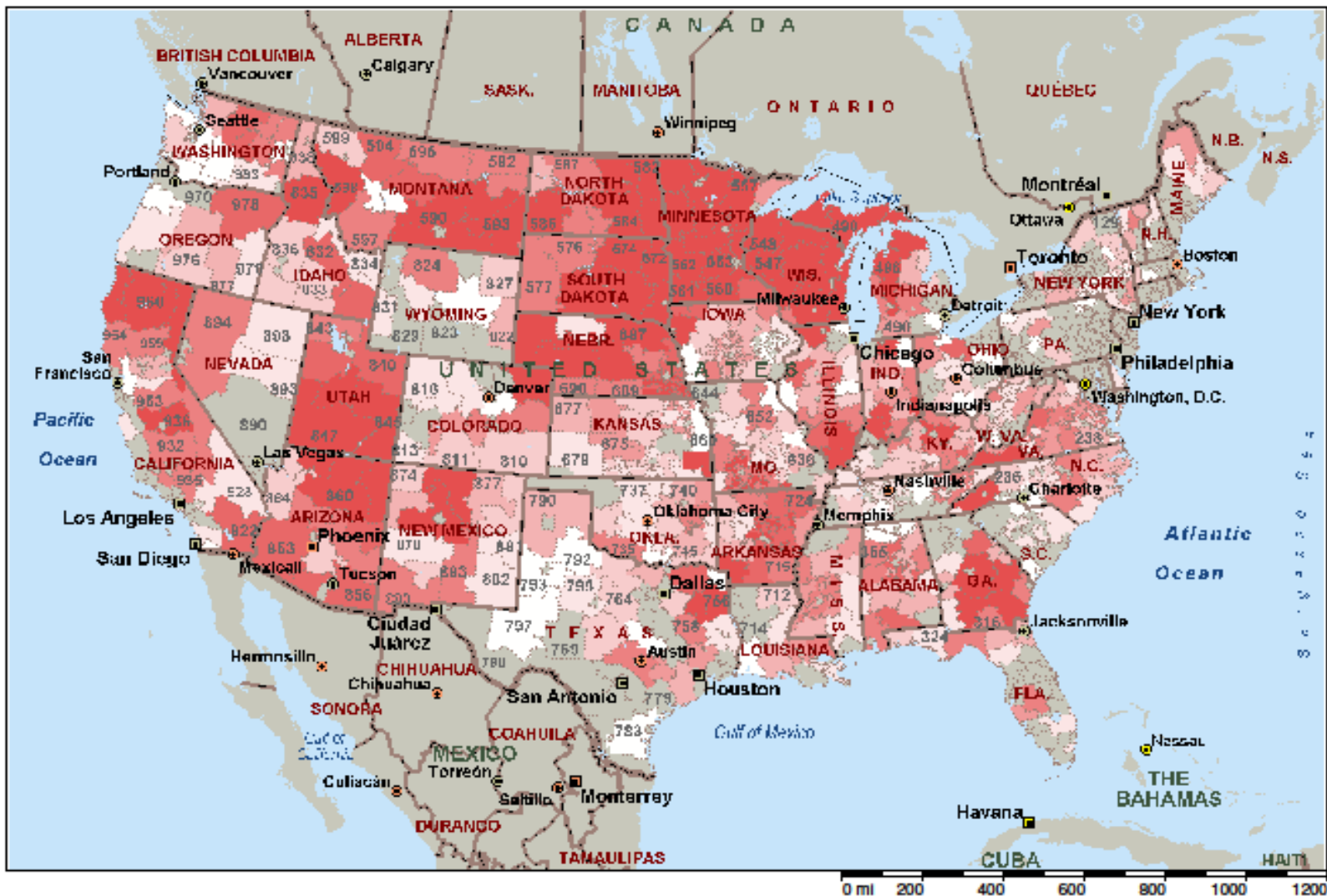
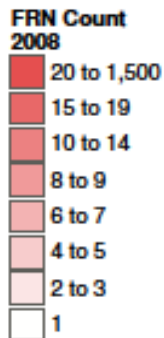


## Average Bandwidth and Cost/Mbps



50% ↑ Completed

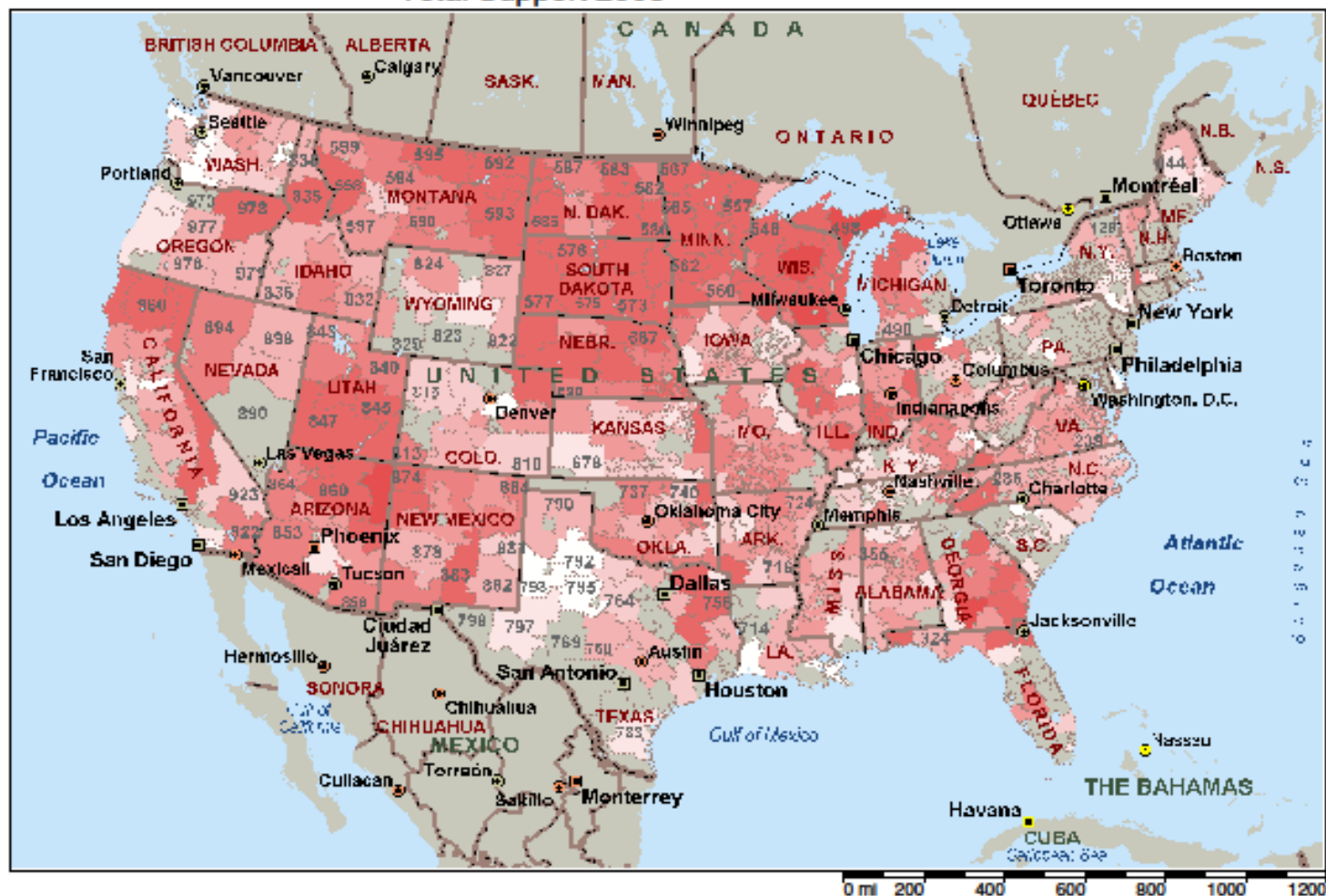
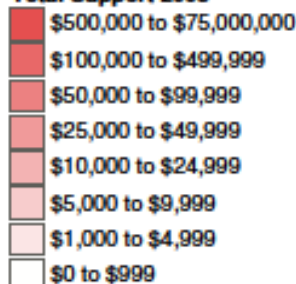
# FRN Count 2008





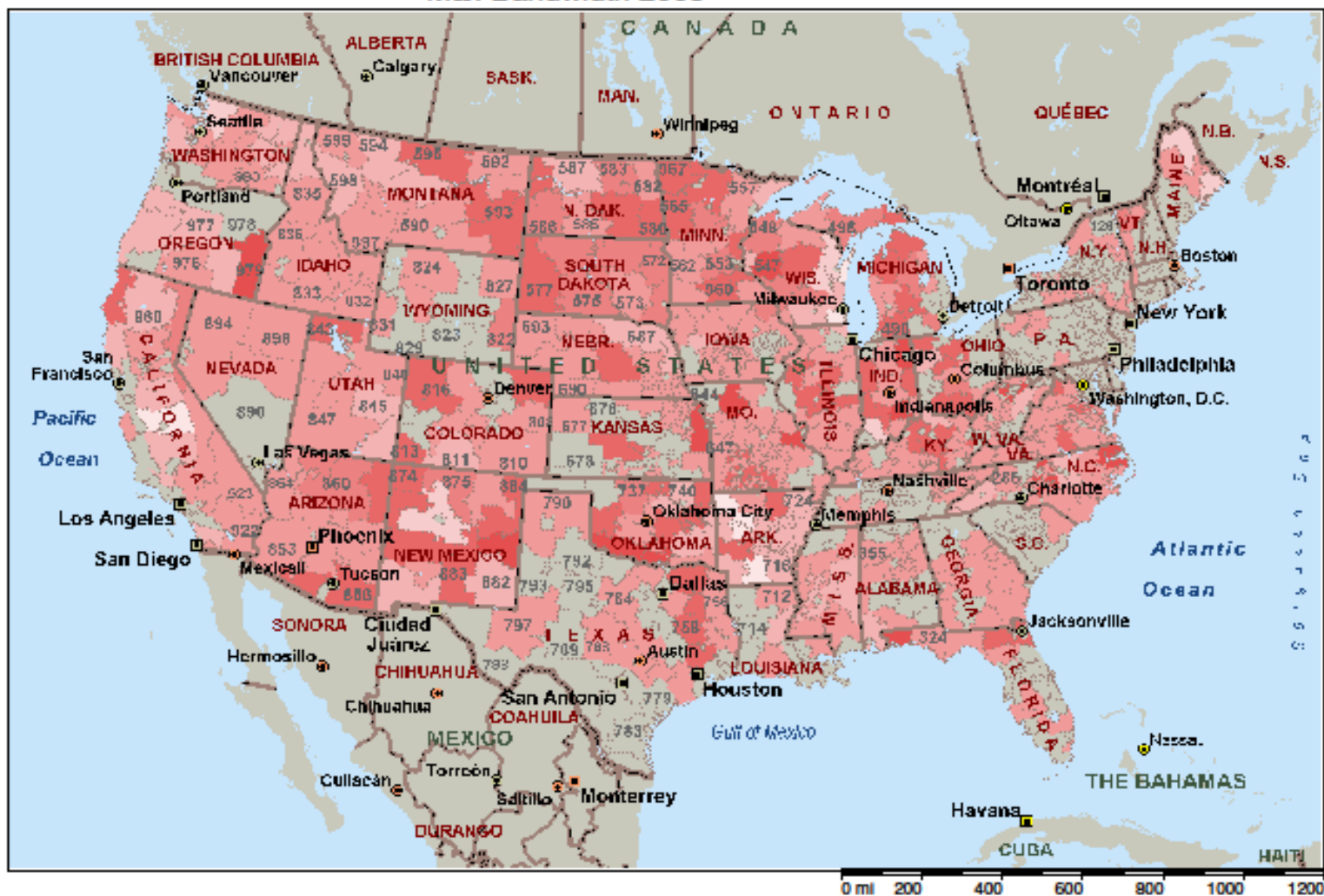
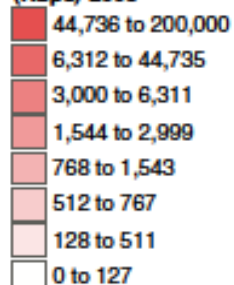
## Total Support 2008

### Total Support 2008

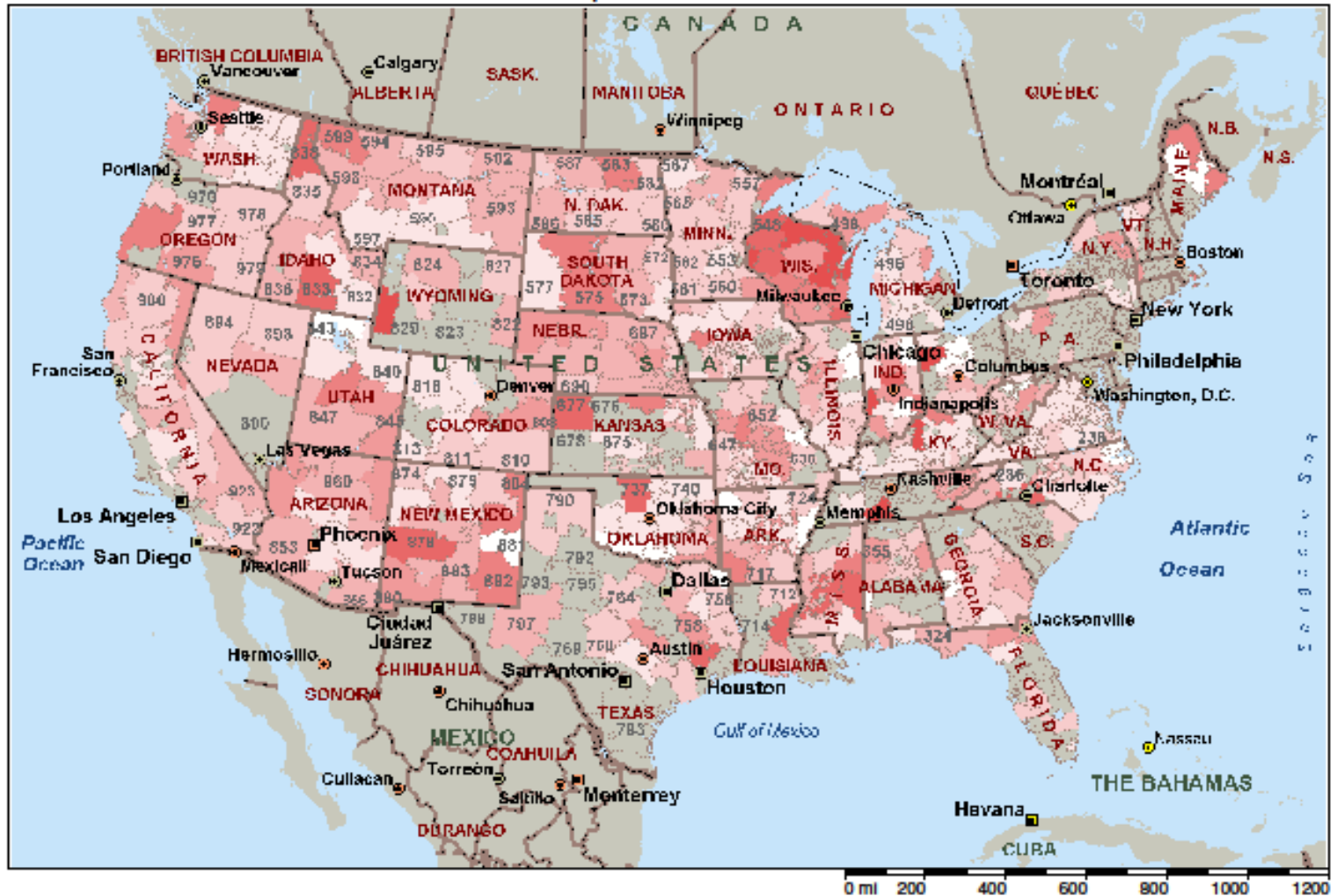
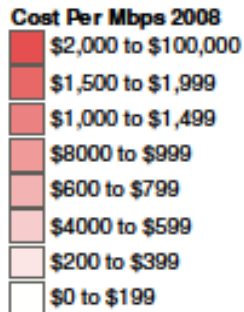


## Max Bandwidth 2008

### Max Bandwidth (Kbps) 2008

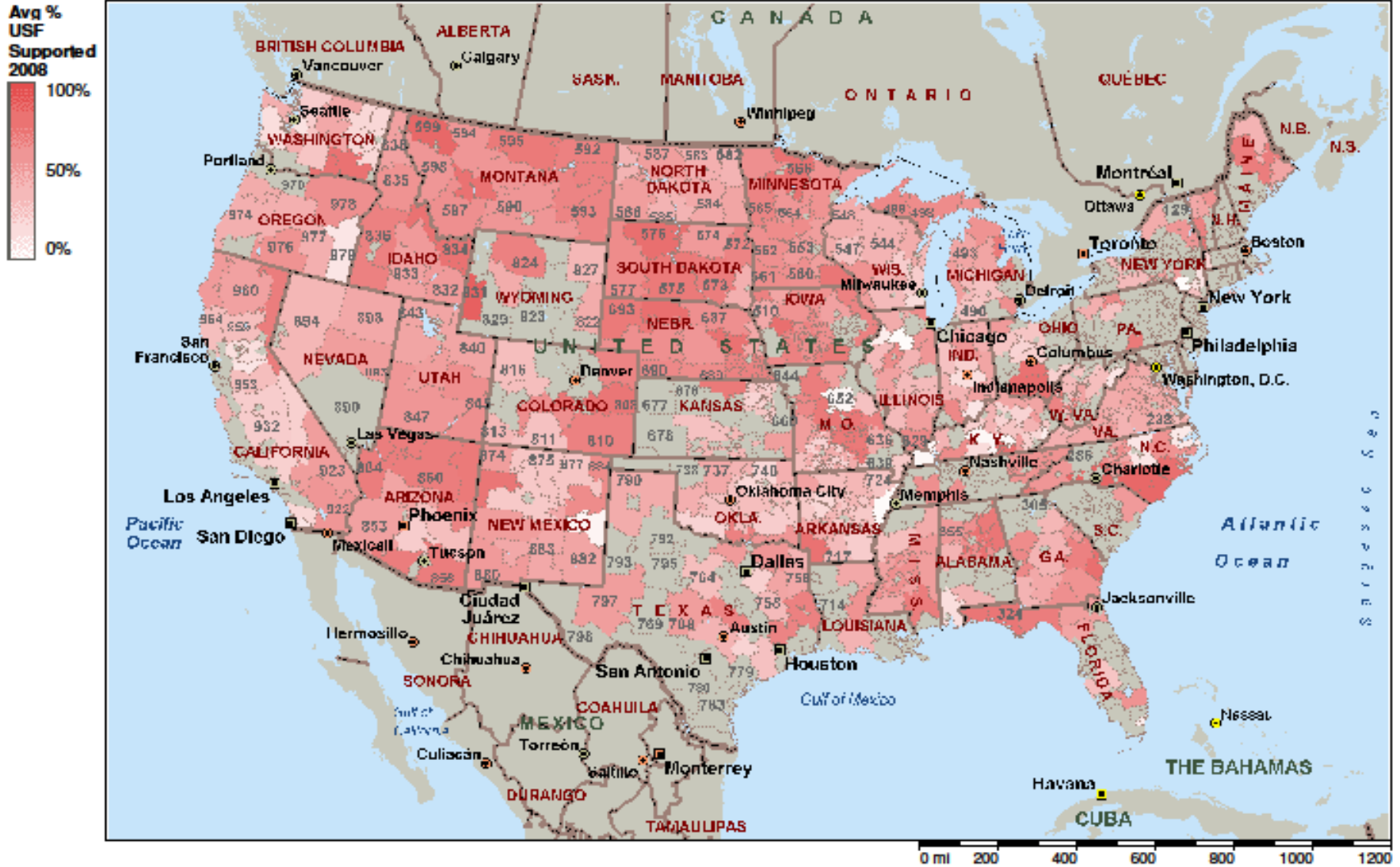


## Cost Per Mbps 2008



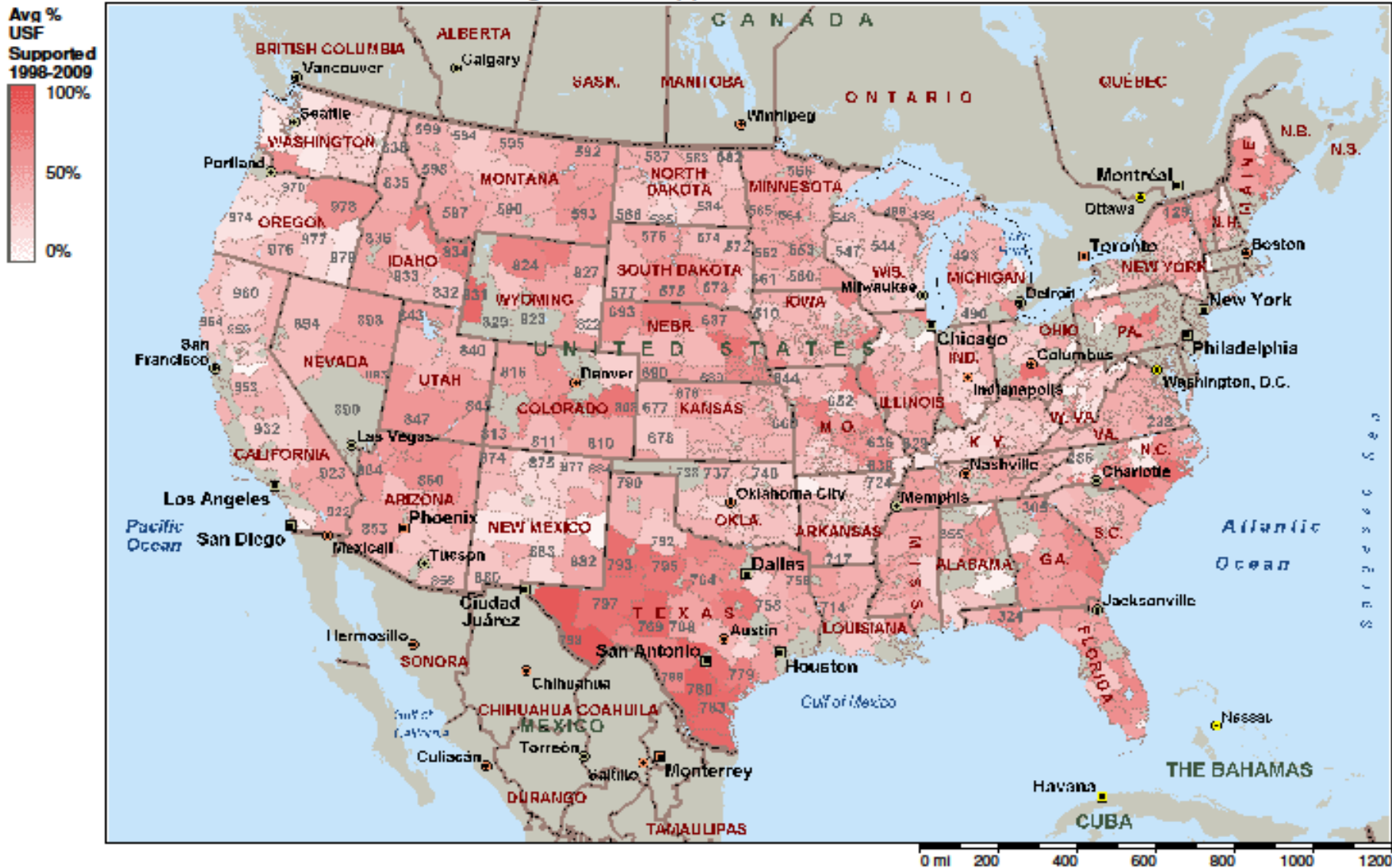
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# Avg % USF Supported 2008



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## Avg % USF Supported 1998-2009



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# RHC Primary Program: Keep the Money Coming

Tess Ellis  
Senior Manager, RHC

## Eligible services include:

- DSL
- ethernet
- T-1
- fiber
- satellite service
- MPLS
- redundant circuits
- DS3
- Internet
- telephone

**Additional eligible (and ineligible) services are listed on the RHC website**

## **Eight steps** to receive discounted service:

1. Determine eligibility and submit a service request (Form 465)
2. HCP evaluates bids, selects a service provider and signs a contract for services
3. HCP submits a service agreement form (Form 466 and/or 466-A) and supporting documentation
4. RHC provides a Funding Commitment Letter (FCL)



## **Eight steps** to receive discounted service:

5. HCP submits confirmation of services (Form 467)
6. RHC provides HCP support schedule (HSS)
7. HCP receives a credit to its bill for services from the service provider
8. Service provider invoices RHC/USAC

## Form 466 or 466-A:

- Copy of bill within the current funding year showing the rural rate
- Copy of contract signed by both parties (if applicable)
- Urban rate information
- Copy of bids (if applicable)

***Without this information, your packet cannot be processed and no funding will be disbursed.***

## Required Documentation

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- Almost all fields on the Form 466 and 466-A are mandatory. Forms submitted without required information will be rejected.
- Forms 466 and 466-A must be received by June 30th to receive funding for Fund Year 2009
- If you disagree with info in the Funding Commitment Letter, contact USAC before filing Form 467
- HCP will not receive support until the Form 467 is submitted

- **Form 465, Line 30:**

1. Checking “Telecommunications Service ONLY” or “Internet ONLY” limits you to receiving funding only for those options. If you’re unsure, check “Both Telecommunications and Internet Services”

- **Form 467:**

1. Verify the Billing Account Number (BAN) prior to submitting the Form to ensure funds go to the correct account
2. Verify the actual service start and actual service termination dates of service prior to submitting

## **Competitive Bidding/28-Day Requirement:**

- 28-day posting period begins once the Form 465 is posted on the RHC website
- A contract may not be signed prior to the 29<sup>th</sup> day
- Entering into an agreement/signing a contract before the 29<sup>th</sup> day is a violation of the FCC rules

**Entering into a contract prior to the end of the competitive bidding period will result in a denial of funding**

## Improper bidding:

- Don't assume a contract is evergreen without RHC confirmation
- Don't refuse to accept bids or tell service providers you are under contract if you haven't received evergreen status
- Do not sign before the ACSD (after 28 days)
- First time applicants with existing contracts are **not** exempt from competitive bidding requirements

## Form 465:

- Line 29: We recommend describing the needs of the HCP rather than requesting a specific service
  - **Incorrect:** we need a T-1 line
  - **Correct:** we need to be able to transmit data and medical images

## Form 465:

- Line 30:
  - Checking “Telecommunications Service ONLY” or “Internet ONLY”
  - If unsure, check “Both Telecommunications and Internet Services”
- Don’t wait until the end of June to submit your Forms 466 and 466-A. Allow plenty of time to correct potential errors or clarify issues



For questions or assistance:

RHC help desk: 1.800.229.5476

RHC email: [rhc-admin@usac.org](mailto:rhc-admin@usac.org)

RHC website: [www.usac.org/rhc](http://www.usac.org/rhc)

To receive monthly conference call notices:

[RHCSuggestions@universalservice.org](mailto:RHCSuggestions@universalservice.org)

# RHC Pilot Program: Overview and Status

Jeff Mitchell, J.D.  
Director, RHC Pilot Program

# Pilot Program Overview

- Support for state or regional broadband networks and to connect to I2, NLR, or public Internet for health care.
- Support is 85% (15% match required).
- Urban HCPs eligible, but network must connect more than deminimis number of rural HCPs.
- HCP eligibility same as Primary program, but non-eligibles may join networks if they pay fair share.

## Why fund infrastructure through a pilot program?

- FCC concluded in 2007 HCPs “continue to lack access to the broadband facilities . . . vital to bringing medical expertise and the advantages of modern health care technology to rural areas of the country.” Pilot Awards Order ¶ 14.
- Pilot Program intended to provide the FCC with a more “complete and practical understanding” of how to best use available RHC support to support a nationwide broadband health care network so the FCC can reform the overall RHC support mechanism. Pilot Awards Order ¶15.

- 81 applications filed, 69 selected by FCC 11/07, with combined \$417.8M budget over 3 years (2007-2009).
- With mergers, there are now 62 projects.
- Selected projects represent:
  - 42 States
  - 3 territories
  - 6,000 HCPs

## Projects with the largest funding caps

- New England Telehealth Consortium \$24.7 Million
- California Telehealth Network \$22.1 Million
- Illinois Rural HealthNet Consortium \$21.1 Million
- Michigan Public Health Institute \$20.9 Million
- Oregon Health Network \$20.2 Million

## Projects with the most proposed HCPs

- California Telehealth Network 858
- Michigan Public Health Institute 530
- Southwest Telehealth Access Grid 472
- Texas Health Information Network Collaboration 470
- New England Telehealth Consortium 364

## timeline

'06

September: FCC issues Order establishing Pilot Program

'07

May: deadline for Pilot Program applications

November:

- FCC selects 69 Pilot awardees
- FCC establishes project specific funding caps & program rules (e.g. competitive bidding, eligibility)

'08

April: first project RFP posted

October: first project FCL issued



## timeline

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'10

February: WCB extends deadline for FCLs by one year

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'11

June: revised deadline for FCL's

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'16

June: last potential day for payments (5 years after issuance of initial FCL)

## COMMITMENTS:

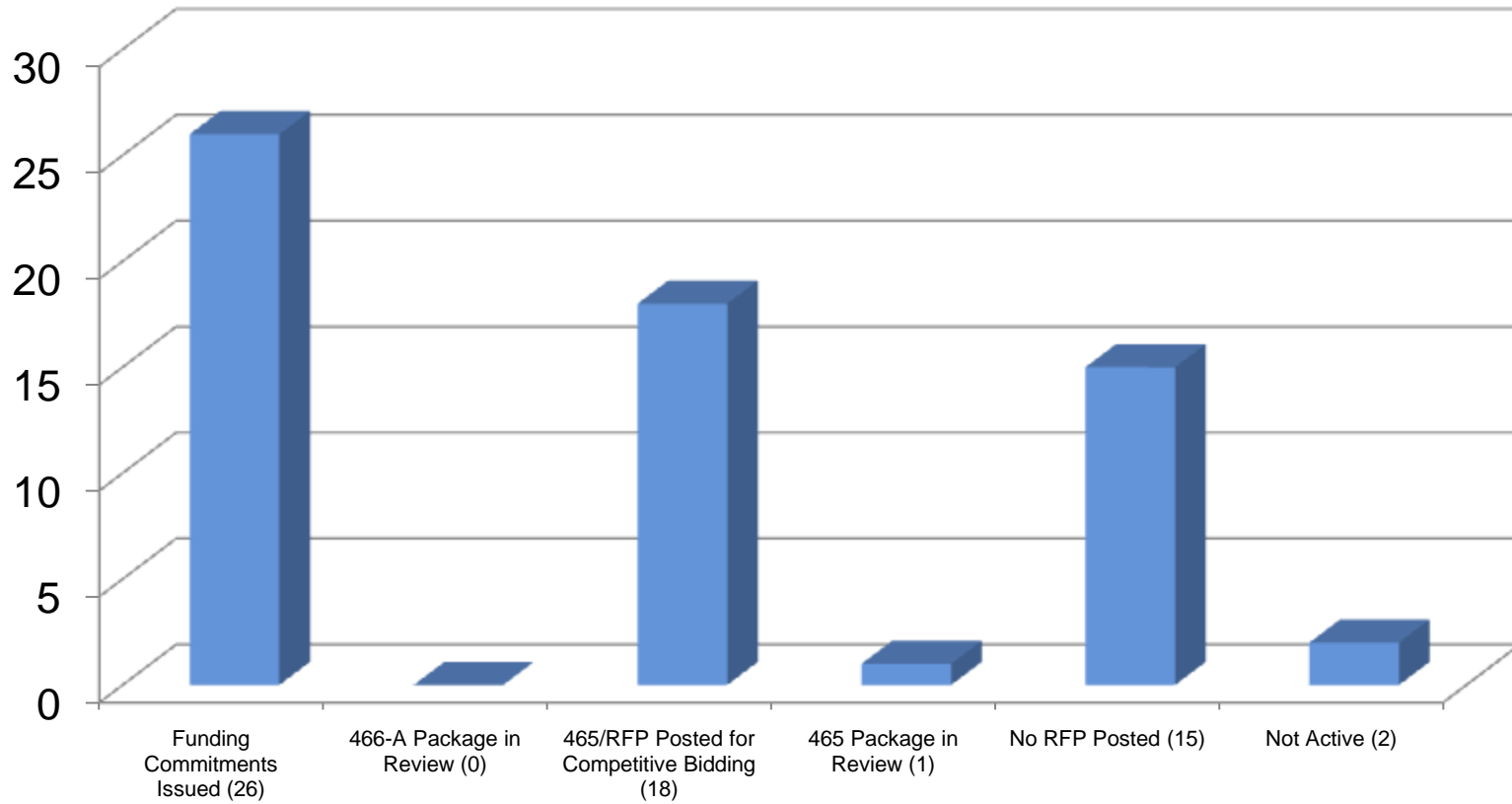
- 26/62 projects (42%) have received at least one FCL
- 82 FCLs issued
- \$60.1 million committed

## INVOICING:

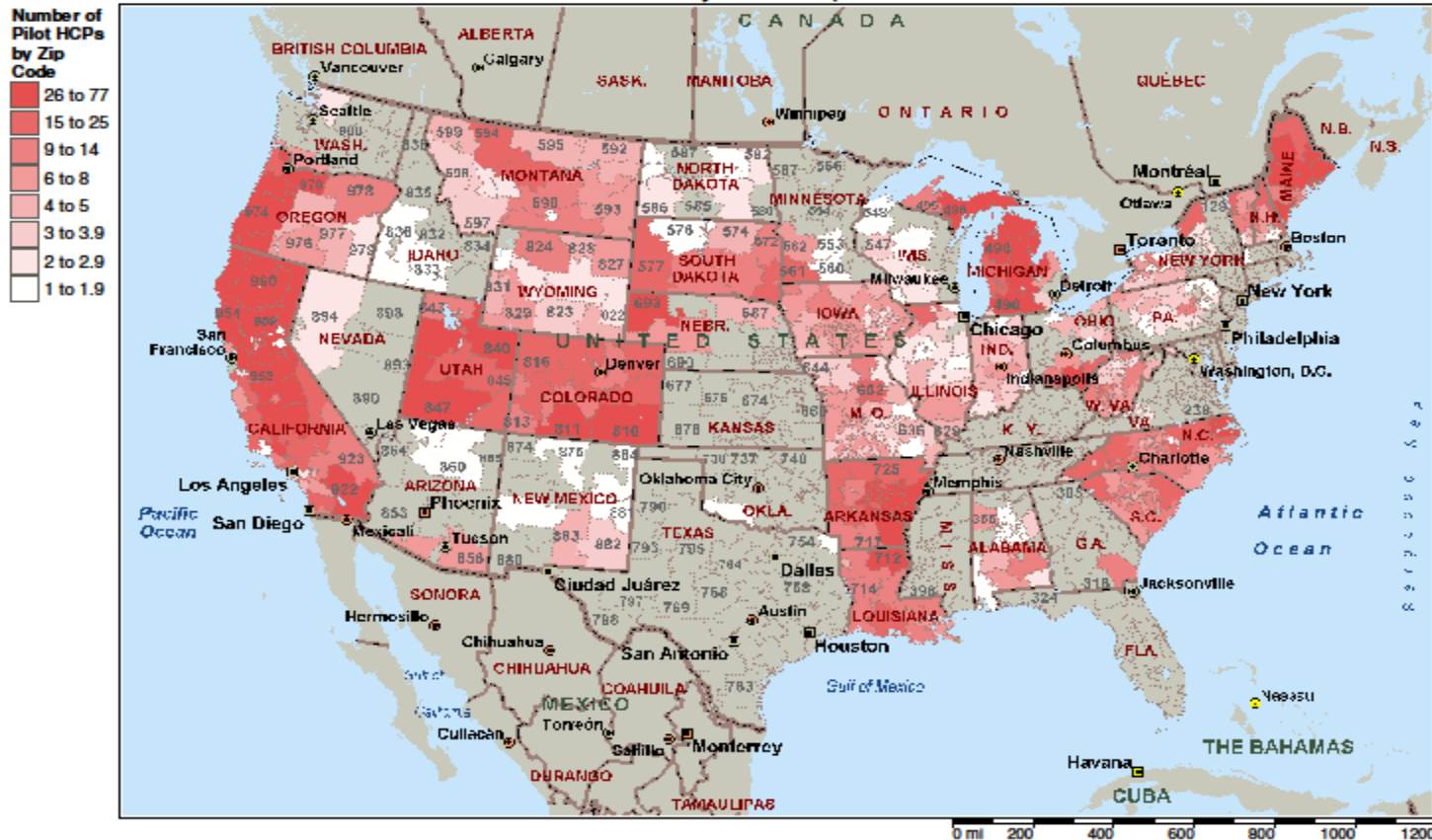
- 20 projects have commenced invoicing
- \$18.9 million invoiced

## SUBSTANTIAL COMPLETION:

- 12 projects have more than 50% of their original award committed
- 12 projects have invoiced more than 50% of their committed amounts



Pilot May 2010 Map



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## time

Projects that have not begun competitive bidding are still at risk notwithstanding FCC deadline extension (projects now have until June 30, 2011 to file obtain funding commitments)

- LOAs and eligibility verification take time
- bid evaluation, vendor selection and contract negotiation take time
- determining pricing and negotiating subscription agreements for large networks takes time

## administrative demands

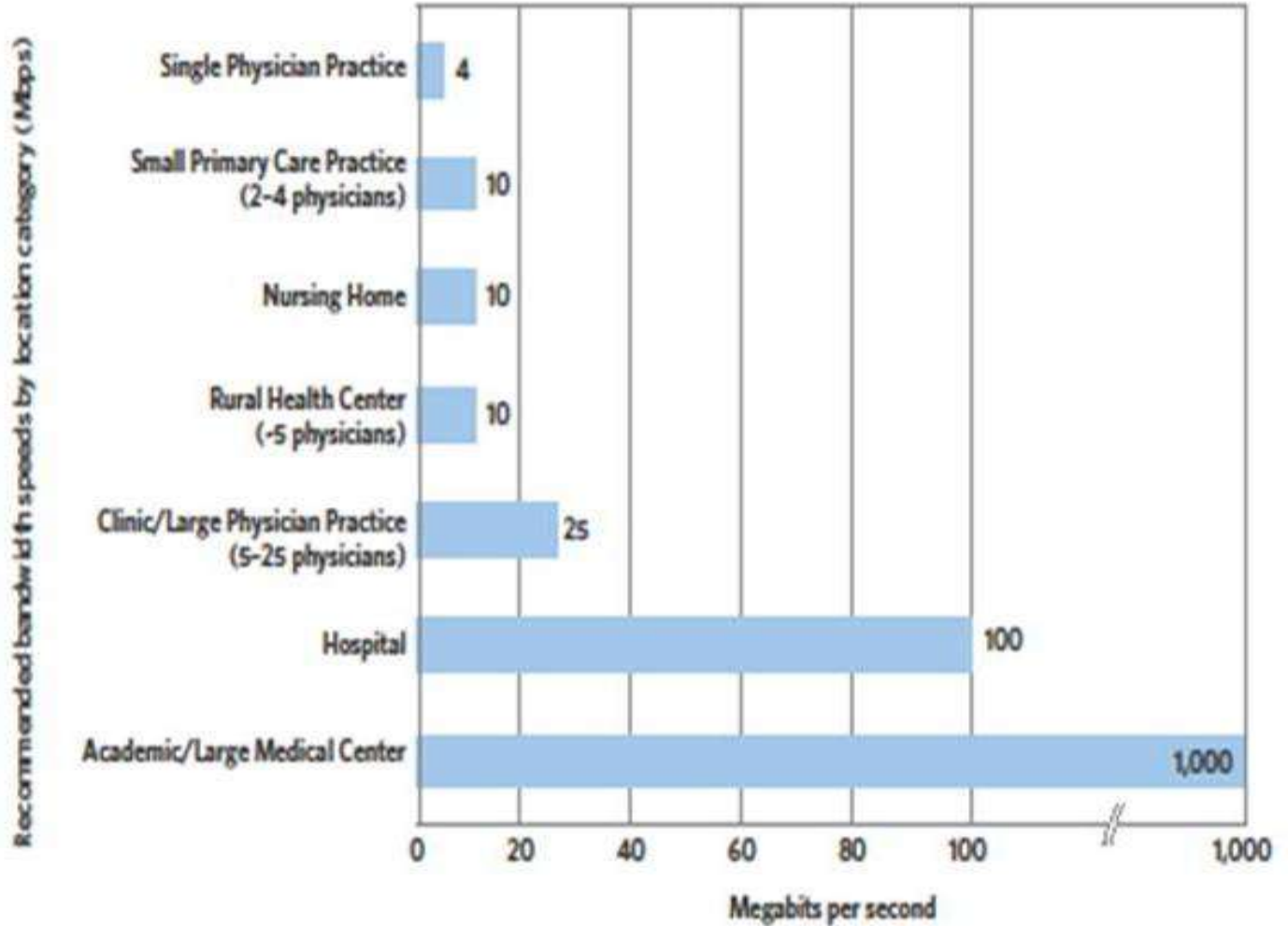
Successful execution of a Pilot Project requires

- significant administrative resources
- effective leadership that is focused, persistent, and determined

# RHC Program

# National Broadband Plan

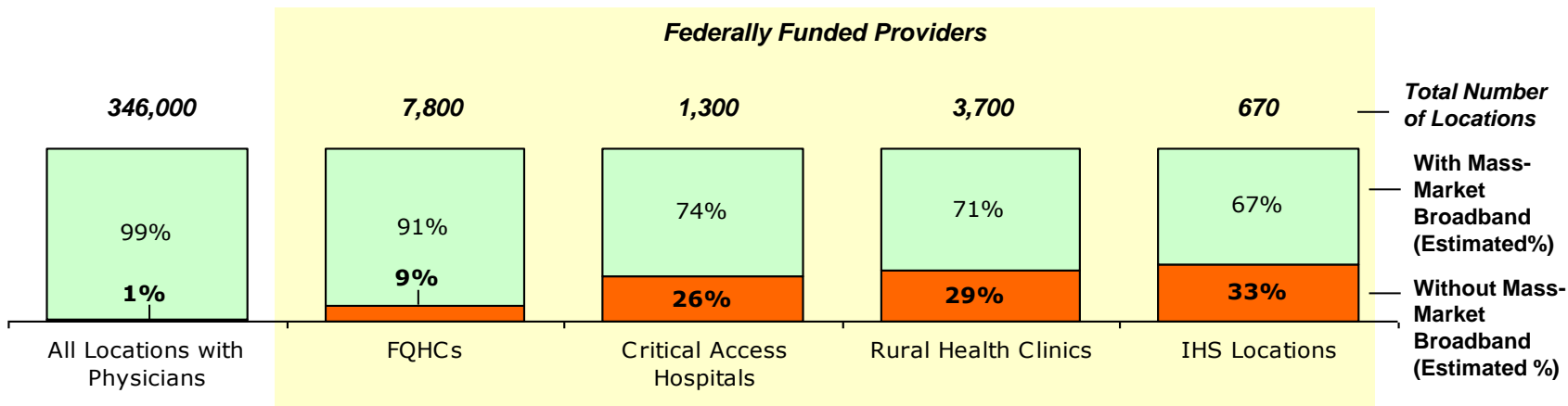
**Exhibit 10-C:**  
*Required Broadband  
 Connectivity  
 and Quality Metrics  
 (Actual)*<sup>80</sup>





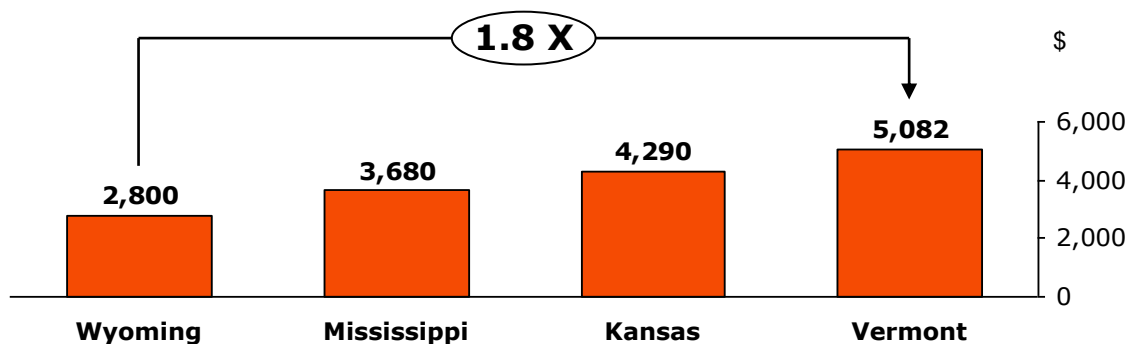
## Estimated Locations Without Mass-Market Broadband Connections

Percent of locations for each delivery setting



## DS3 (45 Mbps) Urban Price Benchmarks Across the U.S.

Monthly service cost (\$)



## **Recommendation 10.6: Replace current 25% Internet Access support with Broadband Access Fund**

- Support service bundles including telecom, broadband, Internet access
- Develop new discount levels based on criteria to address:
  - Price discrepancies for similar broadband service between HCPs
  - Ability to pay for broadband service (i.e., affordability)
  - Lack of affordable broadband, in HCP shortage areas.
- Support should exceed current 25%
- Simplify application process, while protecting against waste, fraud & abuse

## **Recommendation 10.7: Establish Health Care Broadband Infrastructure Fund**

- Incorporate lessons learned from Pilot Program
- Simplify program application and administration and allow limited funding of project administration for network design and project planning
- Establish demonstrated-need criteria to focus on areas where existing broadband infrastructure is insufficient.
- Simplify community build-out fair share rules
- Continue to allow connection to proprietary nationwide backbones

## **Recommendation 10.8: Extend eligibility of Broadband Funds to long-term care facilities, off-site administrative offices, data centers and similar locations.**

- Congress should consider adding for-profit institutions that serve particularly vulnerable populations.
- FCC should re-examine the definition of eligible health care provider in light of industry trends in the delivery of care and expand the definition where consistent with the statute

**Recommendation 10.9: To protect against waste, fraud and abuse, FCC should require participating institutions to meet outcomes-based performance measures to qualify for USF subsidies, such as HHS meaningful use criteria**

- Help ensure FCC programs encourage physicians and hospitals to not only deploy networks or purchase broadband services, but to use them in a way that improves health delivery system

**Recommendation 10.10: Congress should consider providing an incremental sum (up to \$29 million per year) for the Indian Health Service for the purpose of upgrading its broadband service to meet connectivity requirements.**

**Recommendation 10.11: Periodically publish a Health Care Broadband Status Report.**

- Allocate a portion of program funds for innovative ideas or programs to evaluate or improve the impact of broadband programs or to reduce waste, fraud, and abuse.

## Key Dates:

**3Q 2010** - FCC Notice of Proposed Rulemaking

Propose rules to create Health Care Infrastructure Fund and Health Care Access Fund.

**4Q 2010/1Q 2011**

Recommend adopting rules to implement these reforms

**Don't hesitate to contact us!**

For questions or assistance:

RHC help desk: 1.800.229.5476

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RHC website: [www.usac.org/rhc](http://www.usac.org/rhc)

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