Universal Service Administrative Co.

Rural Health Care Committee

Briefing Book

Monday, January 29, 2018

1:00 p.m. - 2:00 p.m. Eastern Time

Universal Service Administrative Company Offices

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

Universal Service Administrative Company
Rural Health Care Committee Quarterly Meeting
Agenda

Monday, January 29, 2017
1:00 p.m. – 2:00 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

	OPEN SESSION		*Estimated Duration in Minutes*
Chair	**a1.**	Consent Items (each available for discussion upon request): **A.** Approval of Rural Health Care Committee Meeting Minutes of October 23, 2017. **B.** Approval of moving all *Executive Session* items into *Executive Session*.	5
Karen	**a2.**	Approval of Rural Health Care Support Mechanism 2nd Quarter 2018 Programmatic Budget and Demand Projection for the January 31, 2018 FCC Filing.	5
Chair	**a3.**	Recommendation for Election of Committee Chair and Vice Chair.	5
Karen	**i1.**	Rural Health Care Support Mechanism Business Update.	30

	EXECUTIVE SESSION		*Estimated Duration in Minutes*
Karen	**i2.**	Rural Health Care Support Mechanism Business Update Continued – **Confidential** – *Executive Session Recommended*.	10
Karen	**a4.**	Approval of 2018 Annual Rural Health Care Support Mechanism Programmatic Budgets. – **Confidential** – *Executive Session Recommended*.	10

Next Scheduled USAC Rural Health Care Committee Meeting

Monday, April 23, 2018
1:00 p.m. – 2:00 p.m. Eastern Time
USAC Offices, Washington, D.C.

Universal Service Administrative Company
Rural Health Care Committee Meeting

ACTION ITEM

Consent Items

Action Requested

The Rural Health Care Committee (Committee) is requested to approve the consent items listed below.

Discussion

The Committee is requested to approve the following items using the consent resolution below:

A. Committee meeting minutes of October 23, 2017 (*see* **Attachment A**).

B. Approval for discussing in *Executive Session* agenda items:

(1) **i2 –** Rural Health Care Support Mechanism Business Update Continued – Confidential – *Executive Session Recommended*. USAC management recommends this item be discussed in *Executive Session* because this matter relates to discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

(2) **a4** – Approval of 2018 Annual Rural Health Care Support Mechanism Budget. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

Upon request of a Committee member any one or more of the above items are available for discussion by the Committee.

Recommended USAC Rural Health Care Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

> **RESOLVED**, that the USAC Rural Health Care Committee hereby approves: (1) the Committee meeting minutes of October 23, 2017, and (2) discussion in *Executive Session* of the agenda items noted above.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

RURAL HEALTH CARE COMMITTEE MEETING
Monday, October 23, 2017

(DRAFT) MINUTES[1]

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, D.C. on Monday, October 23, 2017. Mr. Ronald Brisé, Committee Vice Chair, called the meeting to order at 1:00 p.m. Eastern Time, with five of the eight Committee members present:

    Brisé, Ronald – Vice Chair
    Kinser, Cynthia
    Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant
        Secretary
    Tinic, Atilla
    Wein, Olivia

Members of the Committee not present:

    Fontana, Brent
    Hernandez, Dr. Mike
    Wibberly, Dr. Kathy – Chair

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

    Bocher, Bob – Member of the Board
    Buzacott, Alan – Member of the Board
    Feiss, Geoff – Member of the Board
    Gaither, Victor – Vice President of High Cost
    Garber, Michelle – Vice President of Lifeline
    Gerst, Matthew – Member of the Board
    Jacobs, Ellis – Member of the Board
    Lee, Karen – Vice President of Rural Health Care
    Lubin, Joel – Member of the Board
    Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant
        Treasurer

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[1] Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language where necessary or to correct grammatical or spelling errors.

Scott, Wayne – Vice President of Internal Audit
Sweeney, Mark – Chief Operating Officer
Talbott, Dr. Brian – Member of the Board

Others present:

NAME	COMPANY
Albert, Blythe	USAC
Anderson, Jarnice	USAC
Augustino, Steve	Kelley, Drye & Warren, LLP
Beckford, Ernesto	USAC
Bethel, Tameca	USAC
Boulanger, Terry	New Mexico Telehealth Alliance
Daniels, Michael	USAC
Das, Soumitra	FCC
Delmar, Teleshia	USAC
Guinan, Gabriela Gross	USAC
Karmarkar, Radhika	FCC
Lechter, Jonathan	FCC
Lutz, Corey	USAC
Marjani, Regina	USAC
Mattey, Carol	Mattey Consulting
Mohammed, Rehana	USAC
Nuzzo, Patsy	USAC
Park, Sang	USAC
Parmentier, Peter	USAC
Pomponio, Carol	FCC
Rogers, Camelia	Telehealth Funding Connection
Schwetz, Tori	USAC
Smith, Chris	USAC
Theodoropoulos, Nikoletta	USAC
Vestergaard, Phil	USAC
Voth, Cara	FCC
Wise, Preston	FCC

OPEN SESSION

a1. **Consent Items.** Mr. Brisé presented this item to the Committee.

    A.   Approval of Rural Health Care Committee Meeting Minutes of July 24, 2017.

    B.   Approval for discussing in *Executive Session* agenda item:
        (1) **i2 --** Information on Preliminary 2018 Annual Rural Health Care
            Support Mechanism Budget. USAC management recommends

that discussion of this item be conducted in Executive Session because this item 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 hereby approves the Committee meeting minutes of July 24, 2017 and discussion in *Executive Session* of the item noted above.

a2. **Approval of Rural Health Care Support Mechanism 1st Quarter 2018 Programmatic Budget and Demand Projection for the November 2, 2017 FCC Filing.** Ms. Lee presented this item for consideration.

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 2018 programmatic operating budget for the Rural Health Care Support Mechanism of $1.93 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee, having reviewed at its meeting on October 23, 2017, a summary of the 1st Quarter 2018 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required November 2, 2017 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.

i1. **Rural Health Care Support Mechanism Business Update.** Ms. Lee and Ms. Theodoropoulos, Director of Rural Health Care, presented this item for discussion. The Committee was provided an update on the Rural Health Care (RHC) Funding Year (FY) 2017 applications, the status of the 2017 application review process, the consolidation of shared services, appeals, and fourth quarter goals and outreach. In addition, the Committee was provided with an overview of forthcoming FY 2018 filing window milestones and the RHC program's collaborative approach to outreach in preparation for the next funding year.

At 1:30 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

i2. **Information on Preliminary 2018 Annual Rural Health Care Support Mechanism Budget.** Ms. Lee presented this item for consideration noting that the final budget would be presented to the Committee for consideration at the January 2018 quarterly Rural Health Care Committee meeting.

At 1:35 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Brisé reported that in *Executive Session*, the Committee discussed item i2. On a motion duly made and seconded, the Committee adjourned at 1:36 p.m. Eastern Time.

/s/ Ellis Jacobs
Secretary

Universal Service Administrative Company
Rural Health Care Committee Meeting
ACTION ITEM

Approval of Rural Health Care Support Mechanism
2nd Quarter 2018 Programmatic Budget and
Demand Projection for the January 31, 2018 FCC Filing

Action Requested

The USAC Board of Directors Rural Health Care Committee (Committee) is requested to approve the 2nd Quarter 2018 (2Q2018) programmatic budget and demand projection for the Rural Health Care (RHC) Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2018 quarterly filing.

Discussion

The budget before the Committee includes the costs of administering the Rural Health Care Support Mechanism and an allocation of USAC common costs. As set forth in FCC rules[1] and USAC's By-laws,[2] each programmatic committee has authority over its programmatic budget. The USAC Board of Directors has responsibility for the USAC common budget and for the overall consolidated budget.

2Q2018 Operating Budget

Based on current operational responsibilities and requirements, USAC management estimates a direct operating budget of $1.84 million will be required to fund Rural Health Care programmatic activities in 2Q2018, which includes:
- $1.41 million in compensation and benefits for 47 full time equivalents (FTEs), including dedicated information technology (IT) and data support teams.
- $0.03 million for audits under the Beneficiary and Contributor Audit Program (BCAP).
- $0.34 million for professional fees, including:
    o $0.15 million for IT and data team contract labor.
    o $0.10 million for call center support.
    o $0.08 million for forms and process redesign.
    o $0.01 million for Federal Information Security Management Act (FISMA) testing.
- $0.06 million for travel, meetings and conferences, printing, and personnel expenses.

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[1] 47 C.F.R. § 54.705(b).
[2] By-Laws of Universal Service Administrative Company, Article II, § 8.

The details to support the allocation of USAC common operating costs to the Rural Health Care Support Mechanism are included with the Board budget materials under item aBOD05 013018.

2Q2018 Capital Budget

USAC management does not anticipate any direct capital costs attributable to the Rural Health Care Support Mechanism in 2Q2018.

The details to support the allocation of USAC common capital costs to the Rural Health Care Support Mechanism are included with the Board budget materials under item aBOD05 013018.

Budget Attachments

Attachment A provides the details and compares the proposed 2Q2018 operating budget to 2nd Quarter 2017 actual expenditures.

Attachment B provides a comparison of the budget to actual expenditures for the 12 months ending December 31, 2017. Explanations are provided for significant variances.

Funding Requirement

On a quarterly basis, USAC is required to submit to the FCC the RHC projected demand for the upcoming quarter and estimates of unobligated Pilot Program funds to be available for Healthcare Connect Fund (HCF) Program commitments.[3] USAC estimates the 2Q2018 demand requirement for the Rural Health Care Support Mechanism as follows:

Funding Requirement	Requirement in Millions
Telecommunications Program	$74.00
HCF Program pursuant to the FCC's *Healthcare Connect Fund Order*[4]	$26.00
Total Funding Requirement[5]	**$100.00**

[3] 47 C.F.R. § 54.709(a). Sixty days prior to the start of each quarter, USAC provides projected support mechanism demand and administrative expense data to the FCC. Thirty days prior to the start of the quarter, USAC submits projected universal service contributor revenue data to the FCC. The FCC uses these projections to establish the Universal Service Fund (USF) contribution factor for the upcoming quarter, and USAC uses the resulting contribution factor to invoice universal service contributors once the quarter begins.

[4] *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Report and Order, 27 FCC Rcd 16678 (2012) (*Healthcare Connect Fund Order*).

[5] *The Wireline Competition Bureau and the Office of the Managing Director Provide Collection Instructions to USAC for the Healthcare Connect Fund,* WC Docket No. 02-60, Public Notice, 28 FCC Rcd 5697 (2013).

The FCC has directed USAC to utilize unused Pilot Program funds for the demand associated with the HCF.[6] In addition, the FCC has directed USAC to use unused funds carried forward from prior years to the RHC program funding for FY2017.[7]

Prior Period Adjustments

Results for 4th Quarter 2017 (4Q2017) contribute to an over-funded condition. The total prior period adjustment to the 2Q2018 funding requirement based on 4Q2017 actual results will decrease the funding requirement by $0.61 million. The explanation for the adjustment is provided below:

Reason for the Prior Period Adjustment	Adjustment in Millions
The 4Q2017 Billings were lower than projected	$0.39
Interest income was higher than projected for 4Q2017	(0.02)
Bad debt expense was lower than anticipated	(0.98)
Total Prior Period Adjustment	**($0.61)**

Summary of Demand

The total funding requirement of $100.00 million is adjusted as follows, resulting in a total projected 2Q2018 funding requirement for the Rural Health Care Support Mechanism of $98.86 million.

Rural Health Care Support Mechanism
Fund Size Projections for 2nd Quarter 2018
(in millions)

Rural Health Care Support	$100.00
Prior Period Adjustment	(0.61)
USAC Admin Expenses[8]	0.00
Interest Income	(0.53)
Total 2Q2018 Demand	**$98.86**

[6] *Healthcare Connect Fund Order*, 27 FCC Rcd 16678, 16822 at para. 363.
[7] *Promoting Telehealth in Rural America*, WC Docket No. 17-310, Notice of Proposed Rulemaking and Order, 2017 WL 6507162, at *31, para. 109 (released Dec. 18, 2017).
[8] Administrative expenses will be covered within the $400 million program cap.

Rural Health Care Support Mechanism
Quarter-Over-Quarter Projections

	2Q2018	1Q2018	4Q2017	3Q2017
Rural Health Care Support	$100.00	$100.00	$ 107.28	$ 0.72
Prior Period Adjustment	(0.61)	(3.87)	1.69	(1.10)
USAC Admin Expense[6]	0.00	0.00	0.00	0.00
Interest Income	(0.53)	(1.02)	(0.70)	(0.85)
Total Demand	**$98.86**	**$95.11**	**$107.80**	**($1.23)**

Rural Health Care Support Mechanism Summary

Projected RHC Program Demand
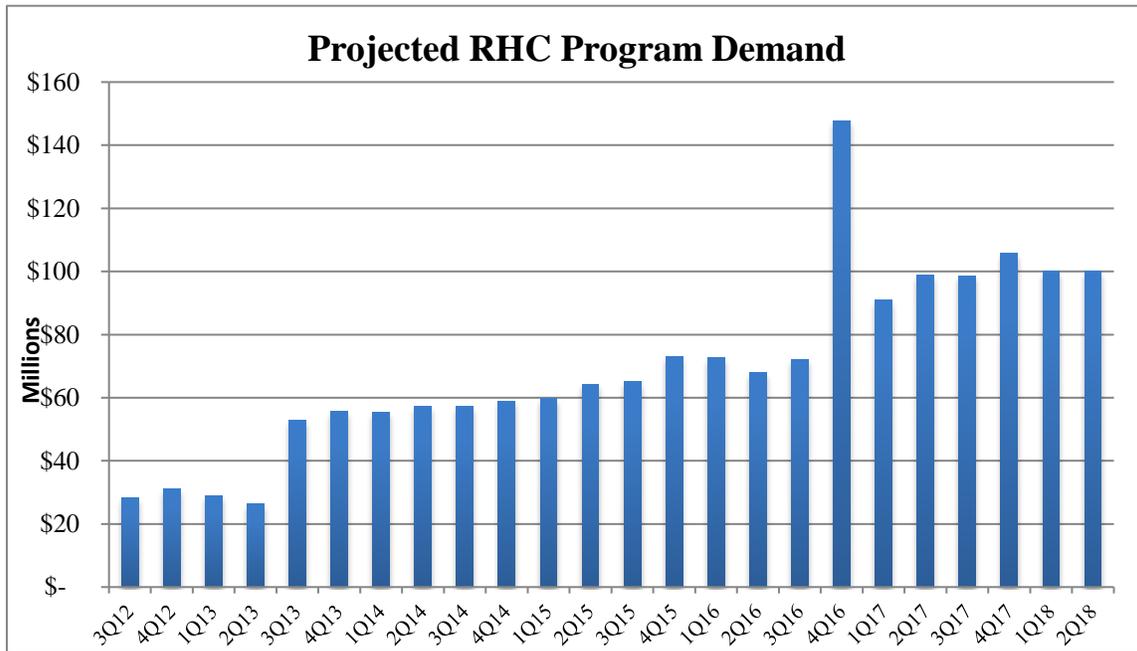
Management Recommendation

USAC management recommends the Committee approve the budget requirement as proposed.

Recommended Rural Health Care Committee Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Rural Health Care Committee approves a 2nd Quarter 2018 Rural Health Care Support Mechanism operating budget of $1.84 million; and

    RESOLVED FURTHER, that the USAC Rural Health Care Committee, having reviewed at its meeting on January 29, 2018, a summary of the 2nd Quarter 2018 Rural Health Care Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required January 31, 2018 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the Rural Health Care Support Mechanism 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 total variance is greater than $1.0 million, but not more than $2.0 million.

Expense Category	2Q2017 Actual	2Q2018 Budget	Increase/ (Decrease)	Explanations
Compensation & Benefits	$ 1,230.11	$ 1,408.92	$ 178.81	47 FTEs in 2Q2018 vs an average of 41 in 2Q2017
External BCAP Costs	27.35	34.45	7.10	No spending for co-sourced audits in 2Q2017, offset by decrease in outsourced audit activity in 2Q2018 under the Beneficiary and Contributor Audit Program
Professional Fees & Contract Labor	383.24	335.32	(47.92)	Lower planned spending for program, IT, and data team contract labor in 2Q2018, offset by higher planned spending on call center support and user support professional fees
Travel, Meetings & Conferences	(0.14)	32.38	32.52	Lodging, transportation, and meals associated with program and user support travel
Other Expenses	15.11	32.93	17.82	Higher spending anticipated for printing, training and education
Total Programmatic Operating Costs	**$ 1,655.67**	**$ 1,844.00**	**$ 188.33**	
Direct Capital Costs	**$ -**	**$ -**	**$ -**	
Total Direct Costs - Rural Health Care Program	**$ 1,655.67**	**$ 1,844.00**	**$ 188.33**	

Common Operating Costs Assigned to Rural Health Care Program	$ 1,173.06	$ 1,250.09	$ 77.03	Allocation of indirect operating costs based on the Cost Allocation Methodology (CAM)
Common Capital Costs Assigned to Rural Health Care Program	21.67	21.64	(0.03)	Allocation of indirect capital budget based on the CAM
Total Common Costs Assigned to Rural Health Care Program	**$ 1,194.73**	**$ 1,271.73**	**$ 77.00**	

Total Rural Health Care Program with Allocations	**$ 2,850.40**	**$ 3,115.73**	**$ 265.33**	

Direct Operating Expenses	Actual	Budget	Variance	%	Explanations
Compensation & Benefits	$ 4,699.88	$ 5,047.05	$ 347.17	7%	Lower spending due to vacant positions (41 FTEs vs 47 budgeted)
External BCAP Costs	181.59	245.49	63.90	26%	Lower spending on co-sourced audits under the Beneficiary and Contributor Audit Program (BCAP), offset by higher spending on outsourced audits under BCAP
Professional Fees & Contract Labor	966.34	1,395.11	428.77	31%	Lower spending on program, data, and IT contract labor
Travel, Meetings & Conferences	22.84	37.28	14.44	39%	Lower spending on program and audit travel
Other Expenses	61.51	92.27	30.76	33%	Lower spending on training and education
Total Direct Operating Expenses	**$ 5,932.16**	**$ 6,817.20**	**$ 885.04**	**13%**	
Indirect Expense / Allocations					
USAC Administration	$ 4,868.33	$ 4,989.49	$ 121.16	2%	
Total Expense	**$ 10,800.49**	**$ 11,806.69**	**$ 1,006.20**	**9%**	

Universal Service Administrative Company
Rural Health Care Committee Meeting

ACTION ITEM

Recommendation for Election of
Committee Chair and Vice Chair

Action Requested

The USAC Rural Health Care Committee (Committee) is taking action to bring its Chair and Vice Chair nominations for consideration by the Board of Directors (Board) at the Board meeting to be held on January 30, 2018.

Discussion

The pertinent resolution related to the election of committee chair and vice chair positions was adopted by the Board of Directors on January 25, 2000 and reads as follows:

> **RESOLVED**, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice chairs shall also be elected annually; (2) the first election for Committee chairs and vice chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions.[1]

On January 31, 2017, the Board elected Dr. Kathy Wibberly as Chair and Ronald Brisé as Vice Chair of the Rural Health Care Committee.

At their January 29, 2018 quarterly meetings, each committee of the Board (including the Audit Committee and the programmatic committees) will nominate Board members to serve as chair and vice chair of their respective committees. Those recommendations will be submitted to the Board at the Board of Directors meeting to be held on January 30, 2018.

Recommended USAC Rural Health Care Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

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[1] USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), *available at* http://usac.org/about/about/leadership/board-minutes/bod.aspx.

RESOLVED, that the USAC Rural Health Care Committee recommends that the USAC Board of Directors elect _____ as Chair and _____ as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

Universal Service Administrative Company
Rural Health Care Committee Meeting

INFORMATION ITEM

Rural Health Care Support Mechanism Business Update

Information Presented:

This information item provides the Rural Health Care Committee (Committee) with an update on ongoing Rural Health Care (RHC) operations, as well as the RHC Support Mechanism for the 4th Quarter 2017 (4Q2017).

Discussion:

Program Highlights – 4th Quarter 2017

- *Funding Year (FY) 2017 Application Update.* USAC is completing its review of FY2017 funding requests. The total gross demand in the FY2017 filing window was $567,259,549. The gross demand dollar amount comprised a total of 5,758 unique health care providers (HCPs) and 16,080 funding requests. In addition, the RHC Division has administrative expenses totaling $12,982,570.

  Note: These demand estimates are preliminary and represent *gross demand*, not *net demand*. The net demand number should be lower than gross demand as it will include various adjustments and withdrawals.

- See **Attachment A** for additional operational metrics.

- See **Attachment B** for additional program highlights.

Rural Health Care Support Mechanism Operational Update

The 2017 Funding Year has been a challenging year as RHC balances the changes needed in program administration to address the growing program demand, since first hitting the program cap in FY2016. RHC has developed and begun to implement strategies to improve operational efficiency and the application review process, while also evolving our program administration to ensure program integrity. As we enter 2018, RHC staff is applying lessons learned from the 2017 cycle to build on how the program has been administered. In 2018, RHC plans to:
- Increase capacity and expertise within our workforce to make application review more efficient, including a continued effort to formalize a more rigorous review of the highest risk applications;
- Establish an external call center to improve consistency and customer experience;
- Standardize the appeals review process to improve processing times; and
- Adjust the first filing window to assist in applicant planning and budgeting.

Fourth Quarter 2017 Accomplishments and Updates

(1) <u>Program Integrity in Funding Year 2017</u>

To address the evolving program dynamics and changes in the nature of program demand, in FY2017, RHC modified its review procedures accordingly. With an unprecedented level of gross demand ($567 million), RHC redesigned its FY2017 review process by efficiently triaging applications by complexity, thereby improving review time of simpler requests and identifying areas in need of further information from applicants and/or service providers.

Additionally, to ensure program integrity:

- Review of FY2017 applications included a particular focus on specific areas including rural rates, urban rates, high costs, and competitive bidding issues.
- RHC requested additional information from applicants to ensure compliance with program requirements and engaged with applicants one-on-one to appropriately resolve any outstanding issues and provide applicants an opportunity to resolve outstanding issues and questions.

(2) <u>Program Outreach and Customer Service</u>

- In 4Q2017, RHC focused its outreach efforts on addressing applicant questions and concerns about FY2017 funding requests. Specifically, RHC worked with applicants through one-on-one communication, webinars, newsletter and updates to website information, providing appropriate information and guidance to resolve outstanding concerns.
- In an effort to make sure that applicants have full visibility into what they can expect during an RHC review of their application(s), RHC has conducted webinars in preparation for FY2018, delivered newsletters and made updates to website information, to include:

  - *October 24: Filing Window Update Webinar*
    RHC provided applicants with updates about RHC Filing Windows for FY2017 and FY2018. In an effort to provide as much time as possible to applicants to plan and prepare for FY2018, this webinar notified applicants that there would be no second filing window for FY2017 and discussed the filing window dates for FY2018.

  - *November 28: HCF Program Invoicing Webinar*
    This webinar was geared toward HCF participants who have an upcoming invoicing deadline for FY2016 or would like a refresher on FCC Form 463 best practices. It discussed the invoicing process and highlighted important dates to remember.

- *December 20: RHC Program Request for Services Webinar*
  Subject matter experts discussed the process of submitting FCC Forms 461 and 465, which initiate the competitive bidding process, including best practices and procedures for review.

- Moving forward in Calendar Year (CY) 2018, RHC plans to hold at least one webinar per quarter and continue sending monthly newsletters with program updates. The focus of the webinars will be training and skill building, in order to maximize applicant success.

- RHC will continue to do targeted outreach to a group of approximately 90 individuals, representing the health care provider and/or service provider communities, who have asked RHC to provide more targeted comments on user engagement and program reform. This group has already been asked to provide feedback to RHC on the 2018 training plan.

- In 4Q2017, RHC worked with USAC's User Support team to review prospective providers for a new dedicated external call center and select a vendor. RHC also began work on training, transition planning, escalation procedures, and governance for implementation beginning in February 2018. These efforts will improve the level of sophistication and support that RHC will provide to applicants and stakeholders by allowing distinct workforces to focus independently on customer service and forms analysis work. Further, RHC will implement a governance structure and process to ensure that questions and concerns raised by applicants will flow back into the program, through metrics management, regular meetings with the vendor, and escalation procedures that will identify areas of focus for the program.

(3) FCC Notice of Proposed Rulemaking and Order

- On December 14, 2017, the FCC adopted a Notice of Proposed Rulemaking and Order, *available at*: http://transition.fcc.gov/Daily_Releases/Daily_Business/2017/db1218/FCC-17-164A1.pdf.
- The Notice of Proposed Rulemaking seeks comment on increasing the $400 million annual cap and creating a prioritization mechanism in the event of reaching the cap in later years, as well as establishing a process for evaluating outlier funding requests to improve fairness and transparency.
- The Order waives RHC's program cap on a one-time basis by instructing USAC to carry forward any unused funds from prior years for use in FY2017. It also enables service providers to voluntarily reduce their rates for FY2017 funding requests, while keeping constant the support amount provided by the Universal Service Fund.
- Comments are due on February 2, 2018 and reply comments are due on March 5, 2018.

(4) <u>Operational Design for the 2018 Funding Year</u>

- RHC leveraged lessons learned from FY2017 and began to implement enhancements to its program administration. Examples of this work include:
  o Conducted a comprehensive review of internal procedures to ensure that the analysis of each application supports compliance with program rules.
  o Modified internal processes and procedures to streamline RHC reviews of applicant and beneficiary requests.
  o Updated existing guidance provided to applicants and ongoing staff training to ensure that consistent guidance is provided to the public.

(5) <u>Appeals</u>. At the start of the Fourth Quarter 2017, RHC had 193 appeals averaging 105 days in age. The volume of appeals has grown significantly in 2017, as compared to prior years, as new issues emerge, due in part to the implementation of filing windows. Further, as RHC works to ensure program integrity through each decision and has shifted staff to continue work on FY2017 applications, the overall review period for appeals remains greater than desired, and the backlog will carry into the First Quarter 2018 (1Q2018).

In the 4Q2017, RHC implemented a process to ensure streamlined review of all appeals, in close coordination with USAC's Office of the General Counsel (OGC). This process will support RHC's efforts to complete review of appeal requests within 90 days of receipt.

First Quarter 2018 Goals.

(1) <u>Program Integrity in Calendar Year 2018</u>
- Competitive bidding timeline for applicants began January 1, 2018.
- Filing window begins February 1, 2018 and will end on May 31, 2018 (120 days). RHC will begin reviewing applications as soon as they are submitted and will continue the review process throughout the entire filing window period.
- Outreach will be focused on helping applicants navigate program eligibility, competitive bidding, funding request submission and post-commitment requests (e.g., invoicing) with one-on-one communication with applicants to help resolve any outstanding issues and/or clarify the program requirements as they move through the process.
- RHC staff will be shifted, as needed, to address anticipated high volume of funding request forms and ensure operational efficiency and compliance with program rules.

(2) <u>Program Outreach & Customer Service</u>
- *Call Center*. RHC is working closely in coordination with other USAC divisions to ensure a smooth transition to a new, dedicated external call center.

This will involve conducting training, establishing technical interfaces, beginning initial call transition, and providing support for the selected vendor. In addition, we plan to conduct webinars at least quarterly to assist stakeholders with preparing for the FY2018 filing window, completing invoices, and addressing other questions.

- *Outreach.* On January 10, 2018, RHC held the "RHC Program Funding Request Webinar." This webinar trained applicants on how to submit FCC Forms 462 and 466. It focused on how to be successful in the program and ensure compliance with program requirements, with an emphasis on frequently asked questions, best practices for documentation, and what to expect from RHC's review.

(3) <u>Appeals</u>

RHC will continue to work closely with USAC's OGC to ensure that appeals are appropriately and timely resolved within 90 days of receipt. To meet this performance goal:

- RHC will work in close coordination with OGC to ensure that all decisions are thoroughly assessed. RHC expects that over time, the review period for appeals will be reduced as the nature of the appeals become more routine.
- In 1Q2018, RHC will collaborate with OGC on a regular basis to ensure alignment and prioritization of appeals.
- RHC will monitor progress by tracking two key metrics: (1) appeals resolved in First Quarter versus prior quarters; and (2) the extent to which appeals received prior to August 1, 2017 are resolved.

[**Attachment A**: Additional Metrics]

Attachment A: Additional Metrics
(Data as of 11/30/2017 unless otherwise noted)

Figure 1.
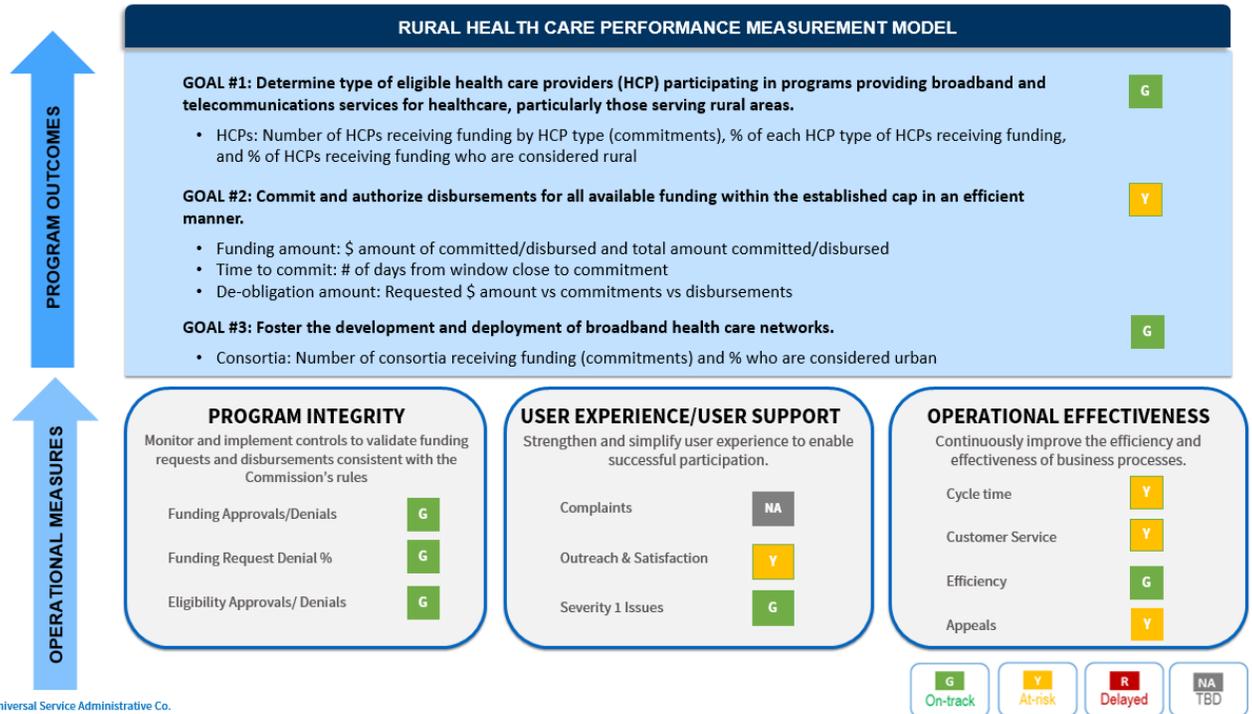
Figure 2. 2017 Third Quarter Monthly Appeals Data

	September	October	November
Total Appeals in Queue	175	193	219
Appeals Received	20	26	18
Appeals Resolved	2	0	3
Avg. Days to Resolve	224	N/A	212

Figure 3. No. of HCF and Telecom HCPs Receiving Funding (Committed) in FY2016 by HCP Types

	FY2016 Distinct Count of HCPs	FY2016 % of each type of HCPs receiving funding	FY2015 Distinct Count of HCPs	FY2015 % of each type of HCPs receiving funding
Rural health clinic	2982	41.5%	3184	45.6%
Not-for-profit hospital	1506	21.0%	1493	21.4%
Community health center or health center providing health care to migrants	885	12.3%	845	12.1%
Community mental health center	807	11.2%	818	11.7%
Local health department or agency	676	9.4%	383	5.5%
Post-secondary educational institution	129	1.8%	63	0.9%
Dedicated ER of rural, for-profit hospital	32	0.4%	36	0.5%
Part-time eligible entity	4	0.1%	2	0.03%
Skilled Nursing Facility	0	0%	0	0%
Consortium of the above	4	0.1%	5	0.1%
Offsite data center	81	1.1%	80	1.1%
Offsite Admin office	75	1.0%	74	1.1%
Ineligible Entity	0	0%	0	0%
TOTAL	7181	100%	6983	100%

Note: *'Consortium of the above' is used when consortia list itself as a member site.

Figure 4. No. of HCF and Telecom HCPs Receiving Funding (Committed) in FY2016 by Rurality

	FY2016 Distinct Count of HCPs	FY2016 % of HCP	FY2015 Distinct Count of HCPs	FY2015 % of HCP
RURAL	6164	85.84%	6316	90.45%
URBAN	856	11.92%	507	7.26%
RURALITY NOT APPLICABLE	161	2.24%	160	2.29%
Consortium of the above	5		6	
Offsite Admin office	81		80	
Offsite data center	75		74	
Ineligible Entity	0		0	
TOTAL	7181		6983	

Note: *'Consortium of the above' is used when consortia list itself as a member site.

Figure 5. No. of days from FY2016 window close to "Commitment" by Program Category

	Distinct Count of HCPs	Count of Funding Requests	Average # of Days
TELECOM	2569	5749	88.64
HCF INDIVIDUAL	3237	5594	116.68
HCF CONSORTIUM	125	861	122.31
TOTAL	**5931**	**12204**	**109.21**
* commitment made prior to window close date will be considered as zero days			
* Close date of Filing Window 0: 8/31			
* Close date of Filing Window 1: 6/30			
* Close date of Filing Window 2: 11/30			

Figure 6. No. of days from FY2016 window close to "Review Complete" by Program Category

	Distinct Count of HCPs	Count of Funding Requests	Average # of Days
TELECOM	2741	6342	43.2
HCF INDIVIDUAL	3261	5662	43.9
HCF CONSORTIUM	127	899	49.87
TOTAL	6129	12903	45.66
* commitment made prior to window close date will be considered as zero days			
* Close date of Filing Window 0: 8/31			
* Close date of Filing Window 1: 6/30			
* Close date of Filing Window 2: 11/30			

Figure 7. Amounts of De-obligations Executed in CY2017

Figure 7a. HCF Program

	Commitment (as of 1/1/17)	Commitment (as of 12/31/17)	Percent De-obligated in 2017	Total Disbursed
FY 2013	$49,991,457.15	$47,732,828.87	4.52%	$46,432,063.60
FY 2014	$102,162,603.28	$97,136,214.01	4.92%	$86,993,342.05
FY 2015	$117,629,572.45	$117,501,320.28	0.11%	$87,612,591.55
FY 2016	$151,904,097.33*	$151,785,984.85	0.08%	$71,370,537.53

*This data is as of 4/21/17 when remaining FY2016 commitments were issued.

Figure 7b. Telecom Program

	Commitment (as of 1/1/17)	Commitment (as of 12/31/17)	Percent De-obligated in 2017	Total Disbursed
FY 2013	$130,278,023.68	$130,278,023.68	0.00%	$128,643,614.36
FY 2014	$136,287,463.36	$136,292,635.01	0.00%	$135,256,748.80
FY 2015	$181,189,266.68	$180,845,464.36	0.19%	$168,471,625.16
FY 2016	$200,770,365.97*	$181,189,266.68	9.75%	$166,499,199.76

*This data is as of 4/21/17 when remaining FY2016 commitments were issued.

Figure 8. No. of Consortia Receiving FY2016 Funding (Committed) by Consortia Size

	Count of Consortia	Count of Members	Count of Funding Request
<10 Members	96	365	1116
10 - 25 Members	37	574	108
26 - 50 Members	19	551	17
> 50 Members	18	2233	15
Total	170	3723	1256

Figure 9. No. of HCF Consortia Member Receiving FY2016 Funding (Committed) by Rurality

	Distinct Count of HCPs	% of HCP	FY2016 Committed Amount
RURAL	1695	62.66%	$ 53,100,356
URBAN	854	31.57%	$ 30,049,769
RURALITY Not Applicable	156	5.77%	$ 30,579,154
Consortium of the above	4		$ 19,476,976
Offsite Admin office	78		$ 1,722,094
Offsite data center	74		$ 9,380,084
Ineligible Entity	0		$ -
TOTAL	2705		$ 113,729,280

Figure 10. No. of FY2016 Approved and Denied Funding Requests by Program

	Count of Approved Funding Request	Count of Denied Funding Request	% Approved	% of Denials
TELECOM	5767	538	91.47%	8.53%
HCF	6455	106	98.38%	1.62%
TOTAL	12222	644	94.99%	5.01%

Figure 11. No. of Forms Processed and Overall Time to Review (OTTR) per Form (HCF: 460, 461; and Telecom: 465)

	Target (Days)	September		October		November		December	
		Number Processed	Avg Days to Review	Number Processed	Avg Days to Review	Number Processed	Avg Days to Review	Number Processed	Avg Days to Review
Form 460 (HCF)	30	145	9.8	213	7.9	355	7.9	643	5.1
Form 465 (Telecom)	3	10	4.6	43	1.8	52	6.6	36	6.6
Form 461 (HCF) with RFP	30	2	11.5	6	17	3	33	2	11.5
Form 461 (HCF) without RFP	4	5	5.6	4	1.5	0	0	1	1
Form 463 (HCF)	10	1,217	8.94	693	9.66	583	9.72	812	8.72

Program Highlights

January 29, 2018

Universal Service
Administrative Co.

Rural Health Care (RHC) Program Highlights

- Operational Metrics Overview

- RHC Organization

- Fourth Quarter 2017 Program Accomplishments & Updates

- FCC Notice of Proposed Rulemaking & Order

- 1Q2018 to 2Q2018 (Look Ahead)

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RHC Cost Scorecard – Q4 2017

Vision: RHC awards timely funding to recipients to provide telecommunications access to rural health care facilities and ensures high program integrity through strong administration of program requirements and transparency of program results.

RURAL HEALTH CARE PERFORMANCE MEASUREMENT MODEL

PROGRAM OUTCOMES

GOAL #1: Determine type of eligible health care providers (HCP) participating in programs providing broadband and telecommunications services for healthcare, particularly those serving rural areas.   **G**

- HCPs: Number of HCPs receiving funding by HCP type (commitments), % of each HCP type of HCPs receiving funding, and % of HCPs receiving funding who are considered rural

GOAL #2: Commit and authorize disbursements for all available funding within the established cap in an efficient manner.   **Y**

- Funding amount: $ amount of committed/disbursed and total amount committed/disbursed
- Time to commit: # of days from window close to commitment
- De-obligation amount: Requested $ amount vs commitments vs disbursements

GOAL #3: Foster the development and deployment of broadband health care networks.   **G**

- Consortia: Number of consortia receiving funding (commitments) and % who are considered urban

OPERATIONAL MEASURES

PROGRAM INTEGRITY

Monitor and implement controls to validate funding requests and disbursements consistent with the Commission's rules

Funding Approvals/Denials	G
Funding Request Denial %	G
Eligibility Approvals/ Denials	G

USER EXPERIENCE/USER SUPPORT

Strengthen and simplify user experience to enable successful participation.

Complaints	NA
Outreach & Satisfaction	Y
Severity 1 Issues	G

OPERATIONAL EFFECTIVENESS

Continuously improve the efficiency and effectiveness of business processes.

Cycle time	Y
Customer Service	Y
Efficiency	G
Appeals	Y

G On-track	Y At-risk	R Delayed	NA TBD

RHC Organization

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Fourth Quarter 2017 Accomplishments and Updates

Review of FY2017 applications

Focused review to ensure sufficient justification and documentation to support funding recommendations.

FCC Proposed Rulemaking & Order

Outreach Efforts

Beginning October 2017, held monthly webinars to provide applicants and recipients with information on program rules, requirements, and key upcoming dates.

Customer Service

Continued focus on consistent guidance/feedback to applicants
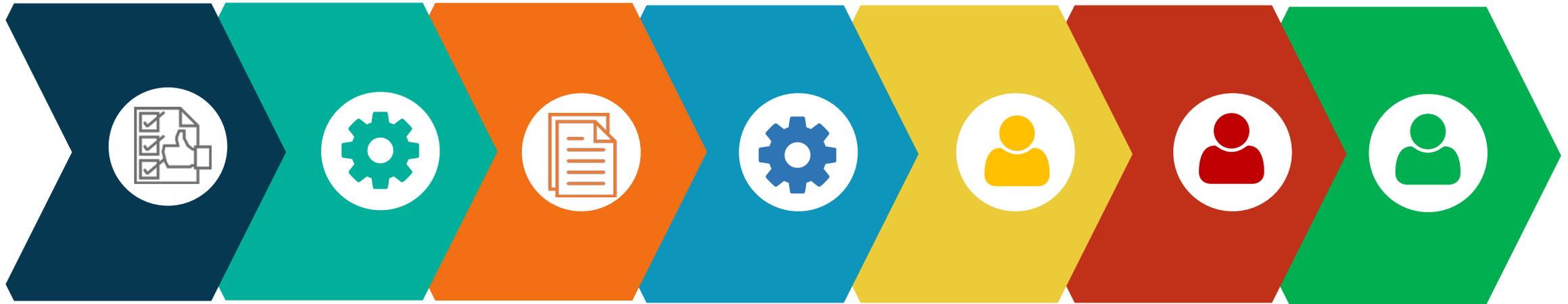
FY2018 Preparation

RHC leveraged lessons learned from FY2017 and began to implement enhancements to its program administration. Conducted a comprehensive review of internal procedures to ensure that the analysis of each application supports compliance with program rules

Call Center Transition

Develop materials in preparation for transition to external call cent Partner with User Support to prepare for transition

Outreach Group Development

Targeted outreach to a group of approximately 90 volunteers who have asked to provide more targeted comments on user engagement and program reform.

FCC Notice of Proposed Rulemaking & Order

- On December 14, 2017: Adopted by the FCC, available at http://transition.fcc.gov/Daily_Releases/Daily_Business/2017/db1218/FCC-17-164A1.pdf

- Proposed Rulemaking: Seeks comment on increasing the $400 million annual cap and creating a prioritization mechanism in the event of reaching the cap in later years, as well as establishing a process for evaluating outlier funding requests to improve fairness and transparency.

- Order: Waives RHC's program cap on a one-time basis by instructing USAC to carry forward any unused funds from prior years for use in FY2017. It also enables service providers to voluntarily reduce their rates for FY2017 funding requests, while keeping constant the support amount provided by the Universal Service Fund.

- Comments on the Proposed Rulemaking are due February 2, 2018 and reply comments are due on March 5, 2018.

1Q2018 to 2Q2018 (Look Ahead)

PROGRAM INTEGRITY

Monitor and implement controls to validate funding request and disbursements consistent with the Commission's rules

- Competitive bidding timeline for applicants began January 1, 2018.

- Filing window begins February 1, 2018 and will end May 31, 2018 (120 days).

- RHC will begin reviewing applications as soon as they are submitted and will continue the review process throughout the entire filing window period.

- RHC will also focus on assisting applicants navigate program eligibility, competitive bidding, funding request submission and post-commitment requests (e.g. invoicing), with one-on-one communication with applicants to help resolve any outstanding issues and/or clarify the program requirements as they move through the process.

USER EXPERIENCE

Strengthen and simplify user experience to enable successful participation.

- *Call Center*. RHC is working closely in coordination with other USAC divisions to ensure a smooth transition to a new, dedicated external call center. This will involve conducting training, establishing technical interfaces, beginning initial call transition, and providing support for the selected vendor. In addition, we plan to conduct webinars at least quarterly to assist stakeholders with preparing for the FY18 filing window, completing invoices, and addressing other questions.

- *Outreach*. Continued engagement through the stakeholder working group, trainings/webinars, and sharing of best practices.

OPERATIONAL EFFECTIVENESS

Continuously improve the efficiency and effectiveness of business processes.

- RHC staff will be shifted, as needed, to address anticipated high volume of funding request forms, to ensure operational efficiency and compliance with program rules.

- RHC will continue its review and ongoing assessment of internal procedures to address program integrity needs.

- RHC will continue to work closely with USAC's Office of General Counsel (OGC) to ensure that appeals are appropriately and timely resolved within 90 days of receipt.