



Rural Health Care Committee

Briefing Book

April 23, 2018

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

Universal Service Administrative Company Offices

700 12th Street, NW, Suite 900

Washington, D.C. 20005

**Universal Service Administrative Company
Rural Health Care Quarterly Meeting
Agenda**

<p>Monday, April 23, 2018 1:00 p.m. – 2:00 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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OPEN SESSION	Presenter	<i>Estimated Duration in Minutes</i>
1. Rural Health Care Business Update	Karen	30
2. Rural Health Care Committee Approvals		
A. Consent Items		
1. Approval of Rural Health Care Committee Minutes of January 29, 2018 and March 9, 2018	Chair	5
2. Approval of Moving all Executive Session Items to Executive Session	Ernesto	
B. Approval of Rural Health Care Support Mechanism 3rd Quarter 2018 Programmatic Budget and Demand Projection for the May 2, 2018 FCC Filing	Karen	5

EXECUTIVE SESSION <i>Confidential – Executive Session Recommended</i>	Presenter	<i>Estimated Duration in Minutes</i>
3. Rural Health Care Business Update (<i>Continued</i>)		
4. Rural Health Care Committee Approvals		
A. Consideration of Contract Award for Temporary Staffing to Support Review of Funding Year 2018 Rural Health Care Program Applications	Karen/ Craig	10
B. Approval of Revised Procedure for Handling Appeals Concerning the Rural Health Care Support Mechanism	Ernesto	10

Next USAC Rural Health Care Committee Meeting

<p>Monday, July 23, 2018 1:00 p.m. – 2:00 p.m. Eastern Time USAC Offices, Washington, DC</p>

Rural Health Care Program

USAC Board of Directors Meeting
1BOD 042318

April 23, 2018



Agenda

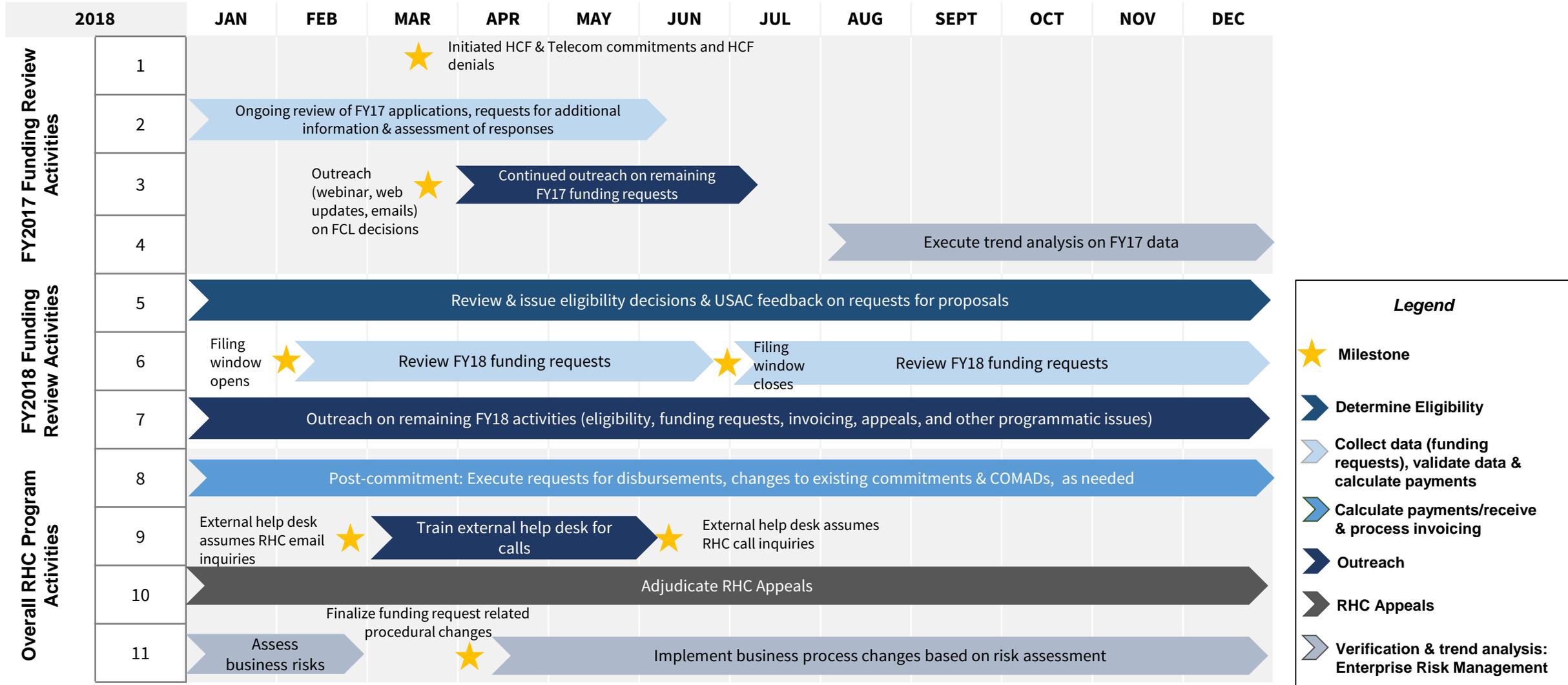
Topic	Description	Purpose	Presenter	Length
Strategic Initiatives & Objectives	Review of major goals & objectives of the RHC program, as administered by USAC	Informational	Karen	5 min
Business View				
Program View	Major deliverables and areas of focus, for CY2018, by quarter	Informational	Karen	5 min
Accomplishments, Upcoming Milestones & Risks	Overview of significant program accomplishments and milestones. Identify critical risks to the program and discuss risk mitigation strategies. See separate white paper	Informational	Karen	15 min
Operational Performance Metrics Overview	Update on the program's operational status and efficiency	Informational	Karen	5 min
Next Steps	RHC team focus for second quarter 2018	Review	Karen	1 min
Appendix				
Financials Update	Program financial Obligations and first quarter 2018 monthly disbursements update	Informational		

Strategic Initiatives & Objectives

Bringing world class medical care to rural areas through increased connectivity

Strategic Initiatives	Objectives / Program Outcomes	How RHC will meet the goal
Execute Mission Critical Performance Goals	Support access to vital telehealth services and help rural communities overcome obstacles to accessing healthcare.	Pursuant to FCC rules & orders, award funding to eligible health care providers and consortia based on qualifying funding requests and disburse funds accordingly.
Implement New FCC Orders and Mandates	Implement new FCC orders and mandates in a timely manner.	Timely and accurate implementation of any new FCC orders impacting FY2017 funding decisions and review of FY2018 requests.
Improve Operational Efficiency and Effectiveness	Increase RHC business productively through increased efficiency and effectiveness of both RHC and USAC operational processes.	Actively support USAC governance initiatives, consistently review RHC business processes to ensure they are aligned with FCC priorities and USAC's business needs. Implement RHC's new program risk management strategy.
Improve Program Participant/FCC Experience	Streamline and simplify program participants' experience to enable successful participation. Provide the FCC with timely awareness of program administration issues, be responsive to FCC information requests, and flag issues in need of FCC guidance.	Implement strategy for improved help desk functionality and RHC program participant outreach. Collaborate with the FCC on goals, outcomes, and strategies and ensure alignment on significant program administration decisions.
Enhance Program Integrity	Monitor, report, and implement enhanced controls to assess program effectiveness and program business value.	Continuously review RHC data to identify trends that require attention or that may raise new risks to the program. Address significant risks through RHC's program risk management.
Improve Employee Engagement	Enhance individuals through career development and fostering a positive work environment.	Implement action plans, including confirming goals and expectations, delivering regular feedback and conducting routine individual and team level meetings to exchange information and celebrate successes.

RHC Program: At a Glance



Accomplishments

During the past quarter, the RHC program has made significant progress on the FY2017 reviews, and planning for FY2018 implementation.

Recent Accomplishments

- Issued decisions on FY2017 applications.
 - For HCF & Telecom programs: Initiated issuance of FCLs
 - For Telecom and HCF: Finalized proration factor of 84% (rounded) for individual participants and 74% (rounded) for consortia, as compared to FY16 which resulted in a proration factor of 92.5% (rounded) for all participants.
- Executed outreach (March 23, 2018 webinar, emails, newsletters) to program participants through March to provide updates on FY2017 funding status and next steps.
- Completed analysis and decided on FY2017 funding requests. Based on USAC analysis, executing additional reviews on some FY2017 applications to ensure program integrity. Specifically, USAC's review will ensure that applications have satisfied the Program's rules. Applicant responses are pending.
- FY2018 Funding Review Activities:
 - Identified and documented lessons learned on an ongoing basis throughout the FY2017 review and applied those lessons to CY2018 work.
 - Extended FY2018 filing window by one month to provide program participants with appropriate time to apply for FY2018 funding. The FY2018 filing window will now close on June 29, 2018. (RHC anticipates a protracted timeframe to complete FY2018 review using existing resources and is developing recommendations to address this issue.)
 - Identified strategic goals for RHC's program administration in CY2018 to ensure program integrity through alignment with program requirements and conducting proactive program participant and FCC engagement.
- Overall RHC Program Activities
 - Launched external help desk for RHC email inquiries and executed outreach about expansion efforts.
 - Updating internal RHC procedures to improve program delivery.
 - Identified areas to enhance program integrity and developed recommended path forward.

Operational Performance Metrics Overview Q1 2018

Metric		Target	Jan Actual	Feb Actual	March Actual	Variance		Comments/Mitigation
1	2017 Processed (\$M)	TBD	0	0	>\$225M			
2	2017 Processed vol.	TBD	0	0	>14,000			
3	Call Ctre A/R	3.0%	10.6%	9.2%	8.3%	5.3%		call volume 557 (flat) A/R fell from 10.6% (Feb) and 9.2% (mid-Mar)
4	Total Pending RHC Appeals	N/A	242	247	243			Coordinating with OGC to resolve backlog
5	Average age of RHC Appeals	90	267.6	265.6	259.4			Coordinating with OGC to resolve backlog
6	Number of open appeals over 90 days	0	226	242	237			Coordinating with OGC to resolve backlog

Legend

-  On track
-  Action Required

Upcoming Milestones

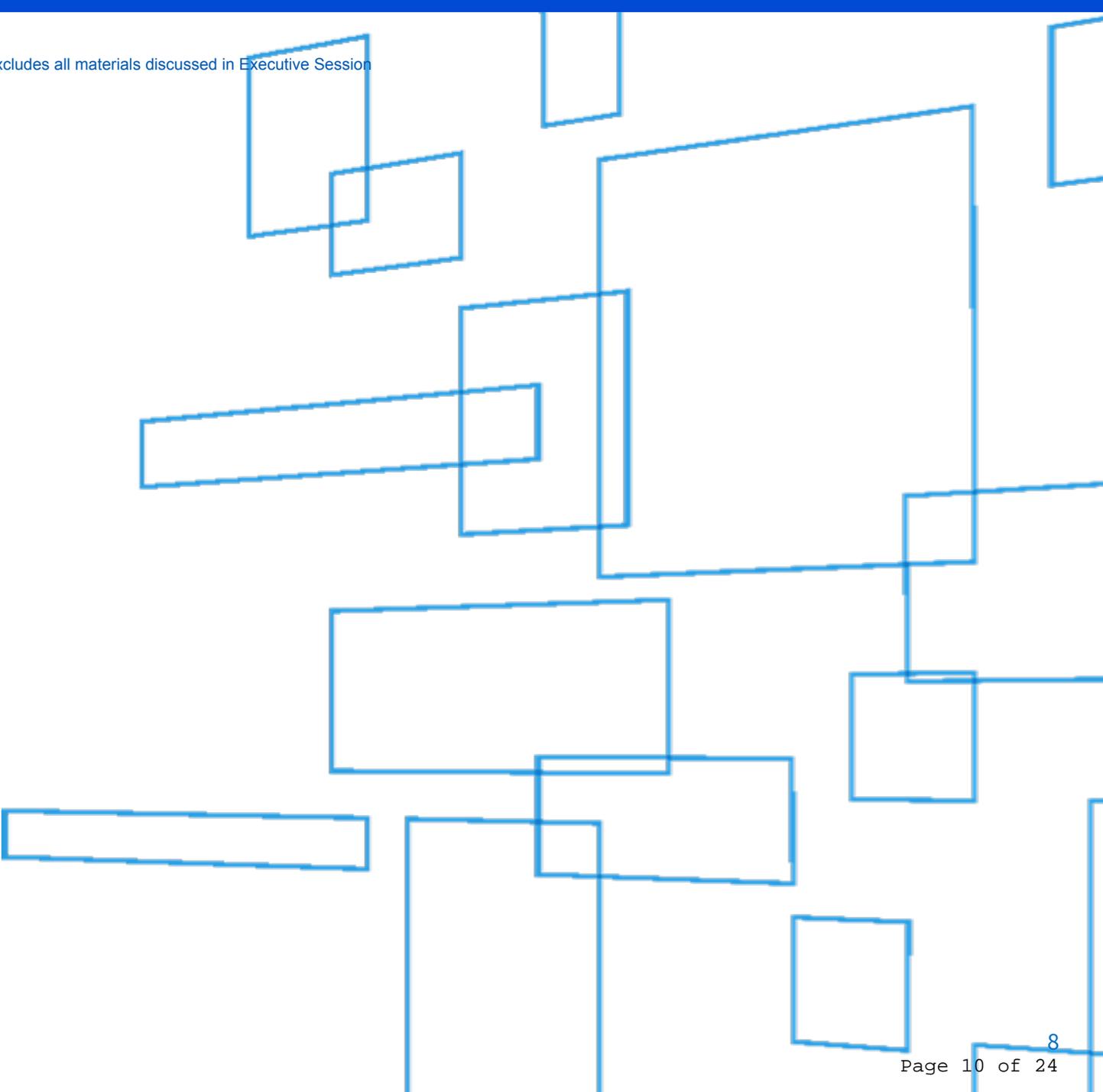
In the next quarter, the RHC program will focus on finalizing FY2017 funding commitment decisions, review of FY2018 funding requests, and finalizing appeal decisions.

Upcoming Milestones

- FY2017 Related Activities:
 - Continue review of FY17 applications.
 - Finalize resourcing needs & approach to support completion of remaining FY2017 reviews.
- FY2018 Related Activities:
 - Render determinations regarding requests for eligibility and requests for services (competitive bidding).
 - Finalize and continue to implement enhancements to RHC' program administration procedures and processes.
 - Finalize program administration procedures to support FY2018 funding request reviews.
 - Finalize resourcing needs to support proposed FY2018 timelines.
 - Review submitted FY2018 funding requests.
- Overall RHC Activities
 - Adjudicate RHC's aging appeals and apply internal procedures to process new appeals, as they arise, within the target 90-day review period. Finalize approach with key appeals.
 - Training and migration of help desk function to external call center.
 - Finalize and implement adjustments to internal RHC procedures to improve efficiency and effectiveness of RHC's program delivery.
 - Analyze FY2017 commitments and improve analytic tools, leveraging USAC's enterprise data analytics teams.
 - Review and assess RHC IT needs necessary to support efficient administration of the RHC program.

Briefing book excludes all materials discussed in Executive Session

Appendix



Finance Update

Preliminary Data as of March 31, 2018 <i>(in millions)</i>	Fund Year 2016	Fund Year 2017	Fund Year 2018
	Actuals	Actuals	Estimate
Available Funding (Program Cap)	\$400.00	\$400.00	\$400.00
Carried-forward from prior years	0.00	31.35 ¹	0.00
USAC Administrative Costs	(12.29)	(11.78)	(12.00)
Funds Available for Obligation	\$387.71	\$419.57	\$388.00
Obligations	\$333.7	>\$225	\$0.00
Disbursements	(257.24)	-----	0.00
Unliquidated Obligations	\$76.43	>\$225	\$0.00
Unobligated Balance	\$54.01	>\$190	\$388.00
Reserve for pending applications, invoices, and appeals	(42.98)	>\$190	(388.00)
Cash used to offset collections/proration	(11.11)	0.00	0.00
Remaining Cash	(\$0.08)	-----	\$0.00

¹ Pursuant to the FCC's December 2017 Order, USAC was authorized to apply \$31.35 million in carry-over funds from prior years to support FY2017 funding requests, which includes \$11.14 million from Fund Year 2016.

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 January 29, 2018 and March 9, 2018 (*see Attachment A*).
- B. Approval for discussing in *Executive Session* agenda items:
 - (1) **3** Rural Health Care Business Update (*Continued*). USAC management recommends this item be discussed in *Executive Session* because this matter relates to *specific internal controls, and/or confidential company data*.
 - (2) **4A** – Consideration of Contract Award for Temporary Staffing to Support Review of Funding Year 2018 Rural Health Care Applications. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
 - (3) **4B** – Approval of Procedure for Handling Appeals Concerning the Rural Health Care Support Mechanism. USAC management recommends this item be discussed in *Executive Session* because this matter relates to *specific internal controls*.

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 January 29, 2018 and March 9, 2018; 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, January 29, 2017**

(DRAFT) MINUTES¹

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, January 29, 2018. Dr. Kathy Wibberly, Committee Chair, called the meeting to order at 1:06 p.m. Eastern Time, with all eight Committee members present:

Brisé, Ronald – Vice Chair
Fontana, Brent – *by telephone*
Hernandez, Dr. Mike
Kinser, Cynthia

Sekar, Radha – Chief Executive Officer
Tinic, Atilla
Wein, Olivia
Wibberly, Dr. Kathy – Chair

Mr. Fontana did not vote on item a4, having left the meeting at 1:57 p.m. Eastern Time.

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

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
Gillan, Joe – Member of the Board
Mason, Ken – 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
Scott, Wayne – Vice President of Internal Audit
Sweeney, Mark – Chief Operating Officer
Wade, Joan – Member of the Board

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.

Others present:

<u>NAME</u>	<u>COMPANY</u>
Albert, Blythe	USAC
Anderson, Jarnice	USAC
Anderson, Latoya	USAC
Ayer, Catriona	USAC
Beckford, Ernesto	USAC
Bethel, Tameca	USAC
Butler, Stephen	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Gerensky, Mitko	USAC
Guinan, Gabriela Gross	USAC
Gustafson, Jaymie	USAC
Hughet, Pamela	USAC
Hutchinson, Kyle	USAC
Karmarkar, Radhika	FCC
Kil, Benny	USAC
Mattey, Carol	Mattey Consulting LLC
Miller, Arielle	USAC
Mohammed, Rehana	USAC
Nuzzo, Patsy	USAC
Pradhan, Saumya	USAC
Rogers, Camelia	Telehealth Funding Connection
Roth, Arielle	FCC
Schwetz, Tori	USAC
Smith, Chris	USAC
Talbott, Dr. Brian	Dimensional Learning Solutions, LLC
Theodoropoulos, Nikoletta	USAC
Vestergaard, Phil	USAC
Voth, Cara	FCC

OPEN SESSION

- a1. Consent Items.** Dr. Wibberly presented this item to the Committee.
- A. Approval of Rural Health Care Committee Meeting Minutes of October 23, 2017.
 - B. Approval for discussing in *Executive Session* agenda item:
 - (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*.

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: (1) the Committee meeting minutes of October 23, 2017, and (2) discussion in *Executive Session* of the item noted above.

- a2. Approval of Rural Health Care Support Mechanism 2nd Quarter 2018 Programmatic Budget and Demand Projection for the January 31, 2018 FCC Filing.** Ms. Lee presented this item for consideration.

On a motion duly made and seconded and after discussion, the Committee adopted 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.

- a3. Recommendation for Election of Committee Chair and Vice Chair.** Mr. Mason, Chair of the Nominating Committee, provided the Nominating Committee’s recommendations for Chair and Vice Chair of the Rural Health Care 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 recommends that the USAC Board of Directors elect **Kathy Wibberly** as Chair and **Mike Hernandez** 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).

- i1. Rural Health Care Support Mechanism Business Update.** Ms. Lee and Ms. Rehana Mohammed, Senior Manager of Program Integrity, presented this item for discussion. The Committee was updated on Rural Health Care operational metrics, program integrity efforts, 2017 accomplishments, call center, and plans for the first half of 2018. Ms. Mohammed set forth a dynamic outreach strategy for 2018, to include already-executed trainings, webinars, and updates to the website designed to support applicants and recipients as they navigate the 2018 program. The Committee was interested in further discussions to better understand the status of Rural Health Care appeals.

At 1:54 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items listed above.

EXECUTIVE SESSION

- i2. Rural Health Care Support Mechanism Business Update Continued.** Ms. Lee presented this item for discussion.
- a4. Approval of 2018 Annual Rural Health Care Support Mechanism Programmatic Budgets.**

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 2018 annual Rural Health Care Support Mechanism operating budget of \$7.20 million.

At 2:06 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 Dr. Wibberly reported that in *Executive Session*, the Committee discussed item i2 and took action on a4. On a motion duly made and seconded, the Committee adjourned at 2:06 p.m. Eastern Time.

/s/ Ellis Jacobs
Secretary

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

**RURAL HEALTH CARE COMMITTEE MEETING
Friday, March 9, 2018**

(DRAFT) MINUTES¹

A meeting of the USAC Board of Directors (Board) Rural Health Care Committee (Committee) was held at USAC’s offices in Washington, D.C. on Friday, March 9, 2018. Dr. Kathy Wibberly, Committee Chair, called the meeting to order at 2:02 p.m. Eastern Time, with a quorum of six of the nine Committee members present:

Brisé, Ronald – <i>by telephone</i>	Sekar, Radha – CEO
Fontana, Brent – <i>by telephone</i>	Wein, Olivia – <i>by telephone</i>
Hernandez, Dr. Mike – <i>by telephone</i>	Wibberly, Dr. Kathy – <i>by telephone</i>

Members of the Committee not present:

Kinser, Cynthia
Tinic, Atilla

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel and Assistant Secretary
Feiss, Geoff – Member of the Board
Gillan, Joe – Member of the Board
Lee, Karen – Vice President of Rural Health Care – *by telephone*
Lubin, Joel – Member of the Board

Others present:

<u>NAME</u>	<u>COMPANY</u>
Benton, Brittany	USAC
Gross Guinan, Gabriela	USAC
King, Lauren	USAC
Miyazaki, Sakura	USAC
Nuzzo, Patsy	USAC
Schwetz, Tori	USAC

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.

OPEN SESSION

- i1. Rural Health Care State of Appeals.** Mr. Beckford recommended that discussion of this item be conducted in *Executive Session* because this matter relates to *discussion of internal processes and procedures and pre-decisional matters*.

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 discussing this item in *Executive Session*.

At 2:02 p.m. Eastern Time, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- i1. Rural Health Care State of Appeals.** Ms. Tori Schwetz, Manager, Rural Health Care, and Ms. Lee presented this item for discussion.

At 2:52 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Dr. Wibberly reported that in *Executive Session*, the Committee discussed item i1. On a motion duly made and seconded, the Committee adjourned at 2:53 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

**Universal Service Administrative Company
Rural Health Care Committee Meeting**

ACTION ITEM

**Approval of Rural Health Care Support Mechanism
3rd Quarter 2018 Programmatic Budget and
Demand Projection for the May 2, 2018 FCC Filing**

Action Requested:

The USAC Board of Directors Rural Health Care Committee (Committee) is requested to approve the 3rd Quarter 2018 (3Q2018) programmatic budget and demand projection for the Rural Health Care Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2018 quarterly filing.

Discussion:

On a quarterly basis, USAC is required to submit to the FCC each program's budget¹ and projected demand for the upcoming quarter.²

Base Demand

At this time, USAC management estimates demand for Funding Year 2018 equal to the program cap of \$400 million.

Funding Requirement

USAC estimates the 3Q2018 funding requirement for the Rural Health Care Support Mechanism as follows:

<i>(in millions)</i>	Funding Requirement
Funding Year 2018 Required Collection	\$400.00
3Q2018 Funding Requirement³	\$100.00

Projected Administrative Expenses

Projected administrative expenses for the Rural Health Care program are \$3.06 million, which includes \$1.76 million in direct program costs and \$1.30 million in common

¹ 47 C.F.R. § 54.715(c).

² 47 C.F.R. § 54.709(a)(3).

³ Collection requirement represents one quarter of demand for Funding Year 2018.

allocated costs. Administrative costs for the Rural Health Care program will be covered within the \$400 million program cap.⁴ Details are provided in the table below.

<i>(in millions)</i>	3Q2018
Direct Program Costs	
Employee Expenses	\$1.46
Professional Services	0.28
Overhead (Direct) ⁵	0.02
Capital Costs (Direct)	0.00
Total Direct Program Costs	\$1.76
Common Allocated Costs	
Operating Costs (Common)	\$1.23
Capital Costs (Common)	0.07
Total Common Allocated Costs	\$1.30
Total Program Budget	\$3.06

Attachment A provides a comparison of actual expenditures to the budget for 1Q2018.

Summary of Demand

Program funding requirement of \$100.00 million is adjusted as follows, resulting in a total projected 3Q2018 demand for the Rural Health Care Support Mechanism of \$96.48 million:

<i>(in millions)</i>	4Q2017	1Q2018	2Q2018	3Q2018
Program Funding Requirement	\$107.28	\$100.00	\$100.00	\$100.00
Prior Period Adjustment ⁶	1.69	(3.87)	(0.61)	(2.82)
USAC Administrative Expenses	0.00	0.00	0.00	0.00
Interest Income	(1.17)	(1.02)	(0.53)	(0.70)
Total Demand	\$107.80	\$95.11	\$98.86	\$96.48

Recommendation:

USAC management recommends the Committee approve the budget and projection of demand as proposed.

⁴ Pursuant to 47 C.F.R. § 54.715(c), administrative expenses for each program shall be deducted from the annual funding of each respective program.

⁵ Overhead costs include computer support maintenance agreements, printing, postage, meetings, and conferences.

⁶ Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt and administrative expenses.

Recommended Rural Health Care Committee Action:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Rural Health Care Committee approves a 3rd Quarter 2018 Rural Health Care Support Mechanism direct program budget of \$1.76 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee, having reviewed at its meeting on April 23, 2018, a summary of the 3rd Quarter 2018 Rural Health Care Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required May 2, 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 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$1 million, but not more than \$2 million.

Rural Health Care Administrative Costs
Comparison of actual expenditures to the budget for 1Q2018

<i>(in millions)</i>	1Q2018 Actual	1Q2018 Budget	Variance	1Q2018 Actual to Budget Variance Explanations	2Q2018 Budget	2018 Annual Budget
Direct Program Costs						
Employee Expenses	\$1.21	\$1.45	\$0.24	Lower spending due to vacant positions (43 FTEs vs 47 budgeted).	\$1.45	\$5.82
Professional Services	0.27	0.37	0.10	Lower spending due to delayed start in process and form redesign projects; offset by call center stand-up fees.	0.37	1.30
Overhead (Direct) (see Note 1)	0.00	0.02	0.02	No spending on printing & postage or off-site applicant trainings; timing variance.	0.02	0.08
Capital Costs (Direct) (see Note 2)	0.00	0.00	0.00		0.00	0.00
Total Direct Program Costs	\$1.48	\$1.84	\$0.36		\$1.84	\$7.20
Common Allocated Costs						
Operating Costs (Common)	\$1.00	\$1.29	\$0.29	Allocation of common operating costs based on the Cost Allocation Methodology (CAM).	\$1.25	\$4.99
Capital Costs (Common) (see Note 3)	0.01	0.10	0.09	Allocation of common capital costs based on the Cost Allocation Methodology (CAM).	0.02	0.23
Total Common Allocated Costs	\$1.01	\$1.39	\$0.38		\$1.27	\$5.22
Total Program Budget	\$2.49	\$3.23	\$0.74		\$3.11	\$12.42

Note 1: Overhead costs include computer support maintenance agreements, printing, postage, meetings, and conferences.

Note 2: Rural Health Care does not have any direct capital costs.

Note 3: Common capital costs include capital costs not directly attributable to a program. This includes hardware and equipment refresh, corporate software development, and shared IT testing and project management resources.