



Rural Health Care Committee

Briefing Book

Monday, July 23, 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 Quarterly Meeting
Agenda**

<p>Monday, July 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>

OPEN SESSION	Presenter	<i>Estimated Duration in Minutes</i>
1. Rural Health Care Committee Approvals		
A Consent Items <ol style="list-style-type: none"> 1. Approval of Rural Health Care Committee Minutes of April 23, 2018 2. Approval of Moving all Executive Session Items to Executive Session 	Chair Ernesto	5
B Approval of Rural Health Care Support Mechanism 4th Quarter 2018 Programmatic Budget and Demand Projection for the August 2, 2018 FCC Filing	Mark	10
2. Information on One USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Audit Report	Chris Smith	5
3. Rural Health Care Business Update	Mark	35

EXECUTIVE SESSION <i>Confidential – Executive Session Recommended</i>	Presenter	<i>Estimated Duration in Minutes</i>
4. Rural Health Care Business Update (<i>If Required</i>)	Mark	5

Next USAC Rural Health Care Committee Meeting

<p>Monday, October 29, 2018 1:00 p.m. – 2:00 p.m. Eastern Time USAC Offices, Washington, DC</p>
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

RURAL HEALTH CARE COMMITTEE MEETING
Monday, April 23, 2017

(DRAFT) MINUTES¹

The quarterly meeting of the Rural Health Care Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, April 23, 2018. Dr. Kathy Wibberly, Committee Chair, called the meeting to order at 1:00 p.m. Eastern Time, with six of the eight Committee members present:

Hernandez, Dr. Mike – Vice Chair – <i>by telephone</i>	Tinic, Atilla
Kinsler, Cynthia	Wein, Olivia
Sekar, Radha – Chief Executive Officer	Wibberly, Dr. Kathy – Chair

Members of the Committee not present:

Fontana, Brent
Freeman, Sarah

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel and Assistant Secretary
Beyerhelm Chris – Vice President of Enterprise Portfolio Management
Bocher, Bob – Member of the Board
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Procurement and Strategic Sourcing
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
Holstein, Bob – Vice President and Chief Information Officer
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

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 Administrative Officer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Albert, Blythe	USAC
Anderson, Jarnice	USAC
Ayer, Catriona	USAC
Bethel, Tameca	USAC
Braxton-Johnson, Kianna	USAC
Butler, Stephen	USAC
Carpenter, Nikki-Blair	USAC
Daniels, Joel	USAC
Guinan, Gabriela Gross	USAC
Gustafson, Jaymie	USAC
Hughet, Pamela	USAC
King, Lauren	USAC
Mattey, Carol	Mattey Consulting LLC
Miller, Arielle	USAC
Mitchell, Tamika	USAC
Mohammed, Rehana	USAC
Numa, Marcel	USAC
Nuzzo, Patsy	USAC
Park, Sang	USAC
Pradham, Saumya	FCC
Rogers, Camelia	Telehealth Funding Connection
Santana-Gonzalez, Jeanette	USAC
Schwetz, Tori	USAC
Squire, Matthew	USAC
Stauter, Erica	USAC
Tomlin, Nicole	USAC
Vestergaard, Phil	USAC
Voth, Cara – <i>by telephone</i>	FCC
Windhausen. John	SHLB
Winget, Jessica	Connection
Wise, Preston – <i>by telephone</i>	FCC

OPEN SESSION

All materials from Open Session can be found on the [USAC website](#).

1. Rural Health Care Business Update. Ms. Lee presented this item to the Committee.

2. Rural Health Care Committee Approvals. Dr. Wibberly presented the Consent Items for consideration.

- A1.** Committee meeting minutes of January 29, 2018 and March 9, 2018.
- A2.** 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*.

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

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.

B. Approval of Rural Health Care Support Mechanism 3rd Quarter 2018 Programmatic Budget and Demand Projection for the May 2, 2018 FCC Filing. Ms. Lee presented this item to the Committee 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 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.

At 1:32 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

3. Rural Health Care Business Update (Continued). Ms. Lee presented this item for discussion.

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. Ms. Lee presented this item to the Committee 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, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award competitively bid task orders under USAC's current IDIQ contracts for temporary staff augmentation for an amount not to exceed \$270,000 plus applicable taxes.

B. Approval of Revised Procedure for Handling Appeals Concerning the Rural Health Care Support Mechanism. Mr. Beckford presented this item to the Committee 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 adopts the procedures proposed by USAC management for the adjudication of appeals of USAC decisions relating to the Rural Health Care Support Mechanism.

At 2:02 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 3 and took action on items 4A and 4B. On a motion duly made and seconded, the Committee adjourned at 2:02 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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 April 23, 2018 (*see Attachment A*).

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

- (1) **3** Rural Health Care Business Update (*Continued*). *If needed*: USAC management recommends this item be discussed in *Executive Session* because this matter relates to *internal personnel matters*.

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 April 23, 2018; and (2) discussion in *Executive Session* of the agenda item noted above.

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

ACTION ITEM

**Approval of Rural Health Care Support Mechanism
4th Quarter 2018 Programmatic Budget and
Demand Projection for the August 2, 2018 FCC Filing**

Action Requested:

The USAC Board of Directors Rural Health Care Committee (Committee) is requested to approve the 4th Quarter 2018 (4Q2018) programmatic budget and demand projection for the Rural Health Care Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 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

In the *2018 Rural Health Care Order*, the Commission announced a funding cap for Funding Year 2018 of \$581.28 million.³ USAC will collect up to the funding cap for Funding Year 2018 of \$581.28 million.

Funding Requirement

The 4Q2018 funding requirement for the Rural Health Care Support Mechanism is as follows:

¹ 47 C.F.R. § 54.715(c).

² 47 C.F.R. § 54.709(a)(3).

³ *Promoting Telehealth in Rural America*, WC Docket No. 17-310, Report and Order, FCC 18-82, para. 23, note 75 (2018) (*2018 Rural Health Care Order*).

<i>(in millions)</i>	Funding Requirement
Funding Year 2018 Cap	\$581.28
Funds Previously Collected	(100.00)
Funding Year 2018 Required Collection	\$481.28
4Q2018 Funding Requirement⁴	\$160.43

Furthermore, the FCC instructed USAC to collect additional funds needed to fully fund Funding Year 2017 and eliminate proration over the next two quarters.⁵ The additional collection for 4Q2018 is as follows:

<i>(in millions)</i>	Funding Requirement
Funding Year 2017 Demand	\$490.87
Funds Rolled-forward from Prior Fund Years	(129.40)
Funds Previously Collected	(301.95)
Funding Year 2017 Required Collection	\$59.52
4Q2018 Funding Requirement⁶	\$29.76

USAC estimates the total 4Q2018 program funding requirement at \$190.19 million.

Projected Administrative Expenses

Projected 4Q2018 administrative expenses for the Rural Health Care program are \$2.90 million, which includes \$1.67 million in direct program costs and \$1.23 million in common allocated costs. Administrative costs for the Rural Health Care program will be covered within the \$581.28 million program cap.⁷ Details are provided in the table below.

⁴ The funding requirement equals the required collection spread evenly over the remaining quarters in the funding year.

⁵ 2018 Rural Health Care Order, para. 19.

⁶ The funding requirement equals the required collection spread evenly over the next two quarters.

⁷ 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.

<i>(in millions)</i>	YTD Actuals as of 6/30/18	3Q2018 Budget	4Q2018 Budget
Direct Program Costs			
Employee Expenses (see Note 1)	\$2.49	\$1.46	\$1.47
Professional Services (see Note 2)	0.46	0.28	0.19
Overhead (Direct) (see Note 3)	0.00	0.02	0.01
Capital Costs (Direct)	0.00	0.00	0.00
Total Direct Program Costs	\$2.95	\$1.76	\$1.67
Common Allocated Costs (see Note 4)			
Operating Costs (Common)	\$2.06	\$1.23	\$1.22
Capital Costs (Common)	0.03	0.07	0.01
Total Common Allocated Costs	\$2.09	\$1.30	\$1.23
Total Program Budget	\$5.04	\$3.06	\$2.90

Note 1: Employee expenses for 50 FTEs as of 6/30/2018 versus 47 FTEs budgeted.

Note 2: Professional Services include contract labor and the new call center.

Note 3: Overhead costs include printing, meetings, and conferences.

Note 4: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology.

Summary of Demand

The 4Q2018 funding requirement of \$190.19 million is adjusted as follows, resulting in a total projected 4Q2018 demand for the Rural Health Care Support Mechanism of \$188.17 million:

<i>(in millions)</i>	3Q2018	Increase/ (Decrease)	4Q2018
Program Funding Requirement	\$100.00	\$90.19	\$190.19
Prior Period Adjustment ⁸	(2.82)	1.32	(1.50)
USAC Administrative Expenses ⁹	0.00	0.00	0.00
Interest Income	(0.70)	0.18	(0.52)
Total Demand (see Note 5)	\$96.48	\$91.69	\$188.17

Note 5: The change in demand between 3Q2018 and 4Q2018 is due to the increase in the program cap, which required additional collections for Funding Year 2017 and 2018.

⁸ Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

⁹ When demand exceeds the funding cap, administrative costs are covered within the funding cap.

Recommendation:

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

Recommended Rural Health Care Committee Action:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Rural Health Care Committee approves a 4th Quarter 2018 Rural Health Care Support Mechanism direct program budget of \$1.67 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee, having reviewed at its meeting on July 23, 2018, a summary of the 4th Quarter 2018 Rural Health Care Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required August 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 Program

USAC Board of Directors Meeting

July 23, 2018



Universal Service
Administrative Co.

Agenda

Topic	Description	Purpose	Presenter	Length
Strategic Initiatives & Objectives	Review of major goals & objectives of the RHC program, as administered by USAC	Informational	Mark	-
Recap	Review of open items from prior Board meeting and Leadership Council meeting	Information	Mark	5 min
Business View				
Program View	Major deliverables and areas of focus, for CY2018	Informational	Mark	20 min
Overarching Program Activities	Overview of significant program activities	Informational	Mark	5 min
Operational Performance Metrics Overview	Update on the program's operational status and efficiency	Informational	Mark	5 min
Executive Session				
Employee Engagement	Update on division activities	Informational	Mark	5 min

Strategic Initiatives & Objectives

Bringing world class medical care to rural areas through increased connectivity

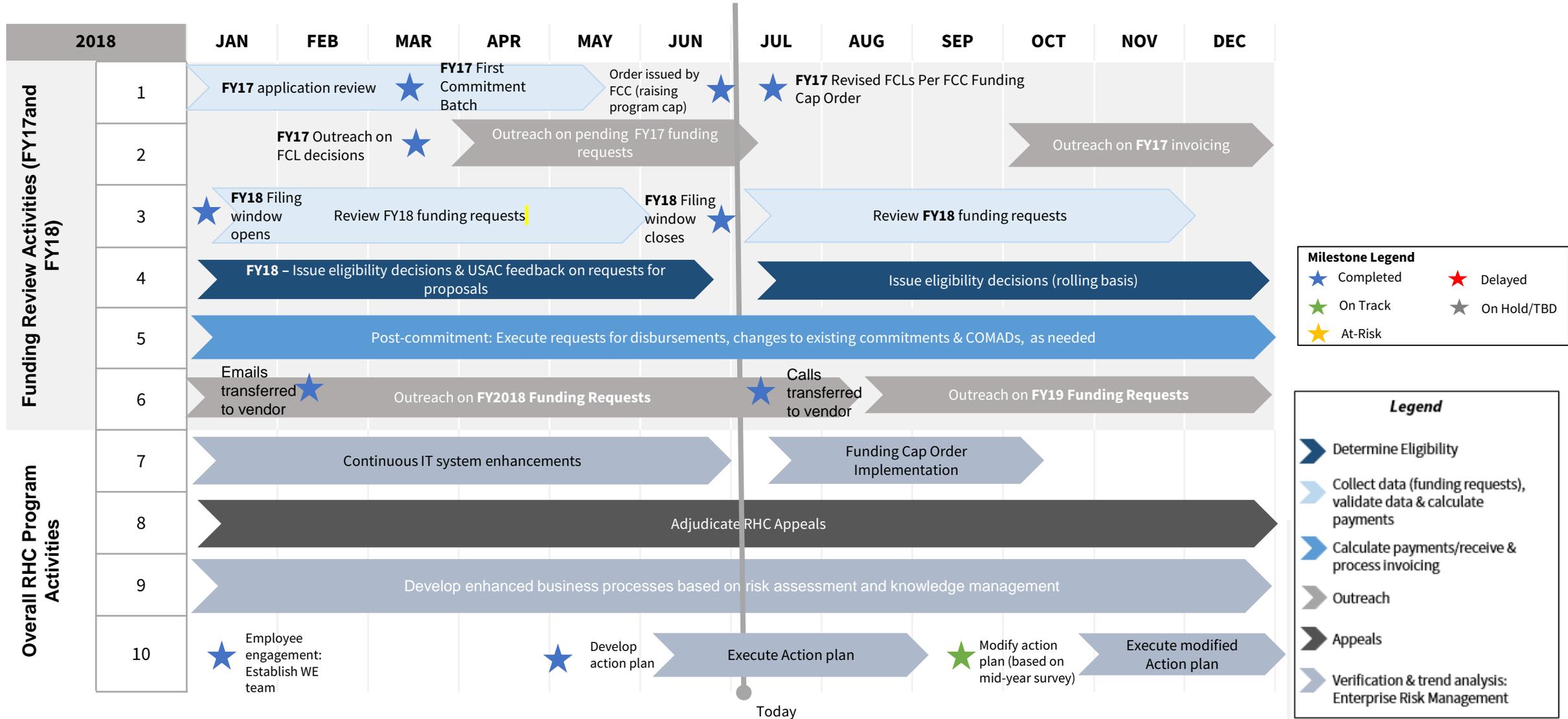
Strategic Initiatives	Objectives / Program Outcomes	How RHC will meet the goal
Execute Mission Critical Performance Goals	Support access to vital telehealth services and help rural communities overcome obstacles to accessing healthcare.	Pursuant to FCC rules & orders, award funding to eligible health 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 productivity 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.

Recap

Action items and update from previous RHC Committee meeting and Leadership Council meeting

Activity	Status	Due Date	Owner
<u>Contractor procurement</u> : RHC received Board approval to move forward with procurement of 10 contractors to support FY18 funding request review.	RHC completed recruiting and hiring. Contractors began work between June 4 – 21, 2018 and have completed RHC training and onboarding. Contractors will provide 16 weeks of supplemental support. <ul style="list-style-type: none"> • Metrics: Velocity and quality of form review. • Status: On track. 	6/4	RHC
<u>Hiring</u> : Received approval to hire 5 FTEs to support FY18 programmatic work.	RHC completed recruiting and hiring. Employees began work between June 1 – 18, 2018.	6/4	RHC

RHC Program: At a Glance



Overarching Program Activities

Summary of FCC Report and Order 18-82 and Implementation

- FCC Report and Order 18-82 (“FCC Order”) released on June 25, 2018 adopts measures to promote health care delivery and telemedicine in rural America by addressing the increasing demand for funding from the RHC Program. Specifically, the Order:
 - Raises the annual RHC Program funding cap to \$571 million to be applicable to funding year (FY) 2017.
 - Directs USAC to restore FY2017 funding commitments to pre-proration levels.
 - Beginning with FY2018, annually adjusts the RHC Program funding cap to reflect inflation.
 - Establishes a mechanism to carry-forward unused funds from past funding years for use in future funding years.
- Implementation:
 - June 25th (same day as Order issuance), RHC sent an email to all stakeholders notifying them of the Order and upcoming changes. HCPs will immediately be notified of changes to their commitments to reflect the removal of the proration.
 - July 10th, RHC held a webinar to explain details of implementation for HCPs.
 - July 13 – 16th, HCPs and Service Providers received formal revised Funding Commitment Letters (FCLs).
 - Once HCPs receive revised FCLs, they will be able to invoice through the system as normal.
 - RHC will provide more information through outreach emails, webinars, website updates, FAQs, and other resources.

Overarching Program Activities

Revised Funding Commitment Letters



July 15, 2018

Funding Commitment Letter Date: July 15, 2018
Funding Year: 2017
Attr: Benson 8

The Rural Health Care (RHC) division of the Universal Service Administrative Company (USAC) has previously completed its review of the FCC Form 462 *Healthcare Connect Fund Funding Request Form* (Form 462) and the supporting information submitted by the HCP named above and determined that the HCP is eligible for funding.

This funding request was submitted during FY2017 Filing Window 1. All qualifying requests submitted within this filing window period received a pro-rated percentage of the total funds available based on the total amount of qualifying funding requested during the filing window period. Subsequently, the FCC issued an Order that increases the annual RHC Program funding cap and applies the increase to FY2017. Due to the increase in the RHC Program funding cap for FY2017, all previously approved FY2017 funding requests will receive 100% of their approved funding amount. The pro-rated percentage that was previously applied to this funding request has been removed, and the revised total funding commitment amount is provided below. For all other information related to this FRN, please refer to your original funding commitment letter. It is the HCP's responsibility to review this FCL and verify that all information is accurate. The table below contains the Revised Committed Amount for each FRN where you are listed as an account holder in My Portal.

HCP Number	HCP Name	FRN	Revised Commitment Amount
75755	Mountain Hospital	1234568	\$1,000
78787	Services - Benson Outpatient	1919191	\$3,456
23232	Redwood Memorial Hospital	4545466	\$45,690

Please note that the HCP Name in the table above only displays the first 25 characters.

Appeals:

Before submitting an appeal, contact the RHC Help Desk. To appeal this pro-ration adjustment, deliver a letter of appeal to USAC within 60 days of the date of this letter. Detailed instructions for filing appeals are available at: <http://www.usac.org/about/about/program-integrity/appeals.aspx>. Details about and definitions of all terms used in this FCL are provided on the USAC website (www.usac.org/rhc).

For questions or assistance, or if this email has been received in error, contact Rural Health Care at (800) 453-1546, between 8:00 a.m. and 5:00 p.m. Eastern Time Monday through Friday or by email at RHC-Assist@usac.org.

All account holders and the service provider contact listed on the Form 498 will receive a copy of this FCL.

funding amount. The pro-rated percentage that was previously applied to this funding request has been removed, and the revised total funding commitment amount is provided below. For all other information related to this FRN, please refer to your original funding commitment letter. It is the HCP's responsibility to review this FCL and verify that all information is accurate. The table below contains the Revised Committed Amount for each FRN where you are listed as an account holder in My Portal.

HCP Number	HCP Name	FRN	Revised Commitment Amount
75755	Mountain Hospital	1234568	\$1,000
78787	Services - Benson Outpatient	1919191	\$3,456
23231	Redwood Memorial Hospital	4545464	\$45,688

Please note that the HCP Name in the table above only displays the first 25 characters.

Overarching Program Activities

Summary

- Pending Appeals
 - Completed 19 appeals in collaboration with OGC.
- Call Center transition
 - Completed enhancements of RHC Help Desk by transitioning calls to vendor in July 2018.
 - Since beginning the transition, the abandonment rate has continued to fall.

Operational Performance Metrics Overview

Metric		Target	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	Variance		Comments/Mitigation
1	Call Ctre A/R	3.0%	10.6%	9.2%	8.3%	5.9%	3.3%	3.0%	0		
2	Total Pending RHC Appeals	N/A	242	247	243	258	266	259	N/A		
3	Average age of RHC Appeals	90	N/A	265.6	259.4	269.9	279.9	294.3	-204.3		
4	Number of open appeals over 90 days	0	226	242	237	235	231	226	-226		

Legend



On track

Action Required