



# Rural Health Care Committee Meeting

## Briefing Book

Thursday, October 28, 2021

Unanimous Consent - Due by 5:00 p.m. Eastern Time

Universal Service Administrative Company

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

Washington, D.C. 20005

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

**Thursday, October 28, 2021  
Unanimous Consent  
Responses due by 5:00 p.m. Eastern Time  
USAC Offices  
700 12th Street, N.W., Suite 900  
Washington, D.C. 20005**

<b>ACTION ITEMS</b>		<i>Estimated Duration in Minutes</i>
—	<b>a1.</b> Approval of Revised Rural Health Care Support Mechanism 1st Quarter 2022 Programmatic Budget and Demand Projection for the November 2, 2021 FCC Filing	—

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

**ACTION ITEM**

**Approval of Revised Rural Health Care Support Mechanism  
1st Quarter 2022 Programmatic Budget and  
Demand Projection for the November 2, 2021 FCC Filing**

**Action Requested**

The Rural Health Care Committee (Committee) of the USAC Board of Directors (Board) is requested to approve a revised 1st Quarter 2022 (1Q2022) programmatic budget and demand projection for the Rural Health Care Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 2021 quarterly filing.

**Discussion**

On a quarterly basis, USAC is required to submit to the FCC each program's budget<sup>1</sup> and projected demand for the upcoming quarter.<sup>2</sup>

**Funding Requirement**

USAC estimates the 1Q2022 funding requirement for the Rural Health Care Support Mechanism as follows:

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<sup>1</sup> See 47 C.F.R. § 54.715(c).

<sup>2</sup> See 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	<b>4Q2021</b>	<b>Increase/ (Decrease)</b>	<b>1Q2022</b>	<b>Notes</b>
Steady State:				
Program Funding Requirement	\$146.66	\$0.41	\$147.07	See Note 1 and Table B
Adjustments	0.00	(147.07)	(147.07)	See Note 2
New Requirements:				
N/A	0.00	0.00	0.00	
<b>Total Program Funding Requirement</b>	<b>\$146.66</b>	<b>(\$146.66)</b>	<b>\$0.00</b>	
Prior Period Adjustments (difference between projections and actuals):				
Billings	1.32	11.76	13.08	
Interest Income	0.00	0.00	0.00	
Bad Debt Expense	(1.21)	(0.15)	(1.36)	
<b>Total Prior Period Adjustments</b>	<b>0.11</b>	<b>\$11.61</b>	<b>\$11.72</b>	
USAC Administrative Expenses <sup>3</sup>	\$6.35	(\$6.35)	\$0.00	See Note 2 and Table D
<b>Total Funding Requirement</b>	<b>\$153.12</b>	<b>(\$141.40)</b>	<b>\$11.72</b>	

**Note 1:** On March 19, 2021, the Commission announced a funding cap for Funding Year 2021 of \$612.02 million.<sup>4</sup> The Program Funding Requirement represents one quarter of the Funding Year 2021 cap, less USAC administrative costs. See Table B below for additional detail.

**Note 2:** On October 25, 2021, the Commission directed USAC to use available carry forward funds to reduce collections for 1Q2022 and subsequent quarters after first reserving sufficient funds to meet demand above the cap for Funding Year 2021 and reserving \$50 million to carry forward to subsequent funding years. Based on current projected demand for Funding Year 2021, no collections are required for 1Q2022. The total program funding requirement and USAC Administrative Expenses have been adjusted to reflect this change.

Table B. Funding Year 2021 Program Funding Requirement

<i>(in millions)</i>	<b>Fund Year 2021</b>	<b>Notes</b>
Funding Year 2021 Cap	\$612.02	See Note 1
Quarterly Funding Requirement for Funding Year 2021	\$153.01	
Less USAC Administrative Costs, which are covered within the Funding Cap	(5.94)	
<b>1Q2022 Program Funding Requirement</b>	<b>\$147.07</b>	

<sup>3</sup> Administrative costs are covered within the funding cap.

<sup>4</sup> See *Wireline Competition Bureau Announces E-Rate and RHC Programs' Inflation-Based Caps for Funding Year 2021*, CC Docket No. 02-6, WC Docket No. 02-60, Public Notice, DA 21-332 (2021).

**Note 3:** Table C is an annual schedule that is updated once a year for the April Board meeting. The Funding Year 2021 filing window closed on June 1, 2021. The Commission directed USAC to carry-forward the funds noted in Table C to the extent necessary to cover Funding Year 2021 Rural Health Care Program demand.<sup>5</sup> Additionally, on October 25, 2021, the Commission directed USAC to use remaining available funds to reduce quarterly collections for 1Q2022 and subsequent quarters after first reserving \$50 million to carry forward to subsequent funding years.

Table C. Funding Year 2021 Available Roll Forward

<i>(in millions)</i>	<b>Net Change</b>
<b>Unused Funds</b>	
Available Funds	\$802.78
Disbursements	(520.63)
Reserved Funds	
a. Pending Applications to Process	159.17
b. Unliquidated Obligations (ULOs)	(55.07)
c. Appeals Reserve - USAC Appeals	46.13
d. Appeals Reserve - FCC Appeals	(52.41)
<b>Total Unused Funds</b>	<b>\$379.97</b>

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<sup>5</sup> See *Wireline Competition Bureau Announces the Availability of Unused Funds to Increase Rural Health Care Program Funding for Funding Year 2021*, WC Docket No. 02-60, Public Notice, DA 21-742 (2021).

Based on the projected burn rate, USAC estimates the following 1Q2022 programmatic budget:

Table D. Quarterly Programmatic Budget

<i>(in millions)</i>	4Q2021 Budget	Increase/ (Decrease)	1Q2022 Budget	Notes
<b>Direct Program Costs</b>				
Employee Expenses	\$1.96	(\$0.36)	\$1.60	
Professional Services	0.21	0.69	0.90	
General & Administrative	0.00	0.01	0.01	See Note 4
<b>Total Direct Program Costs</b>	<b>\$2.17</b>	<b>\$0.34</b>	<b>\$2.51</b>	
<b>Direct Assigned Costs</b>				
Employee Expenses	\$0.46	(\$0.09)	\$0.37	
Professional Services	1.04	(0.54)	0.50	
General & Administrative	0.00	0.25	0.25	See Note 4
<b>Total Direct Assigned Costs</b>	<b>\$1.50</b>	<b>(\$0.38)</b>	<b>\$1.12</b>	
<b>Total Direct Program &amp; Direct Assigned Costs</b>	<b>\$3.67</b>	<b>(\$0.04)</b>	<b>\$3.63</b>	
<b>Common Allocated Costs</b>	<b>\$2.68</b>	<b>(\$0.37)</b>	<b>\$2.31</b>	
<b>Total Programmatic Budget</b>	<b>\$6.35</b>	<b>(\$0.41)</b>	<b>\$5.94</b>	

**Note 4:** General & Administrative expenses include meetings & conferences and reference materials.

A comparison of actual expenditures to the budget for the nine months ending September 30, 2021 is provided in **Attachment 1**.

### **Recommendation**

USAC management recommends that the Committee approve the 1Q2022 budget and projection of demand as proposed.

### **Recommended Rural Health Care Committee Actions**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC Rural Health Care Committee approves a 1st Quarter 2022 Rural Health Care Support Mechanism direct program budget of \$3.63 million; and

**RESOLVED FURTHER**, that the USAC Rural Health Care Committee, having reviewed at its meeting on October 28, 2021 the 1st Quarter 2022 Rural Health Care Support Mechanism demand estimate of \$11.72 million, hereby directs USAC staff to proceed with the required November 2, 2021 filing to the Federal Communications Commission 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.

**ATTACHMENT 1**

**Rural Health Care Administrative Costs and Headcount**  
Comparison of Actual Expenditures and Headcount to the Budget for the  
Nine Months Ending September 30, 2021

<i>(\$ in millions)</i>	<b>FTE Actual</b>	<b>FTE Budget</b>	<b>FTE Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>
<b>Direct Program Costs</b>						
Employee Expenses	45	53	8	\$4.39	\$5.21	\$0.82
Professional Services (Note 5)				2.23	1.70	(0.53)
General & Administrative (Note 6)				0.00	0.01	0.01
<b>Total Direct Program Costs</b>				<b>\$6.62</b>	<b>\$6.92</b>	<b>\$0.30</b>
<b>Direct Assigned Costs</b>						
Employee Expenses	9	9	0	\$1.06	\$1.14	\$0.08
Professional Services (Note 5)				1.66	3.17	1.51
General & Administrative (Note 6)				0.05	0.00	(0.05)
<b>Total Direct Assigned Costs</b>				<b>\$2.77</b>	<b>\$4.31</b>	<b>\$1.54</b>
<b>Total Direct Program &amp; Direct Assigned Costs</b>	<b>54</b>	<b>62</b>	<b>8</b>	<b>\$9.39</b>	<b>\$11.23</b>	<b>\$1.84</b>
<b>Common Allocated Costs (Note 7)</b>				<b>\$6.33</b>	<b>\$7.56</b>	<b>\$1.23</b>
<b>Total Programmatic Budget</b>				<b>\$15.72</b>	<b>\$18.79</b>	<b>\$3.07</b>

**Note 5:** Direct Program Professional Services include contract labor to perform application reviews and business requirements gathering. Direct Assigned Professional Services include beneficiary & contribution audit program audits and IT contract labor.

**Note 6:** General & Administrative expenses include printing & postage and reference materials.

**Note 7:** Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.