



Rural Health Care Committee

Briefing Book

Monday, July 25, 2022

1:35 p.m. – 2:20 p.m. Eastern Time

Available for Public Use

USAC Offices

700 12th Street NW, Suite 900

Washington, D.C. 20005

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

**Monday, July 25, 2022
1:35 p.m. – 2:20 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005**

<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	a1. Consent Items (each available for discussion upon request): A. Approval of Rural Health Care Committee Meeting Minutes of April 25, 2022 B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>	5
Mark	a2. Approval of Rural Health Care Support Mechanism 4th Quarter 2022 Programmatic Budget and Demand Projection for the August 2, 2022 FCC Filing	5
Teleshia	i1. Information on Three USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i>	–
Mark	i2. Rural Health Care Business Update <ul style="list-style-type: none"> • FY2022 Demand Analysis • RHC Connect Improvements • Plans for Q3 2022 • Roadmap • RHC Systems Update • Appendix: Program Metrics 	30

<u>EXECUTIVE SESSION</u> Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Mark	i3. Rural Health Care Business Update <i>(Continued, if needed)</i>	5

Next Scheduled USAC Rural Health Care Committee Meeting

**Monday, October 24, 2022
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) of the USAC Board of Directors (Board) 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 25, 2022 (*see Attachment A-1*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i3** – Rural Health Care Business Update (*Continued, if needed*). USAC management recommends that this item be discussed in *Executive Session* because it may involve discussion of *specific internal controls or confidential company data or 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.

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 Rural Health Care Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of April 25, 2022; and (2) discussion in *Executive Session* of the item noted above.

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

RURAL HEALTH CARE COMMITTEE MEETING
Monday, April 25, 2022

(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 25, 2022. A virtual meeting platform was available to the general public for *Open Session* to accommodate the need for increased physical distancing on site due to the COVID-19 pandemic. Mr. Brent Fontana, Committee Vice Chair, chaired the meeting on behalf of Dr. Kathy Wibberly, Committee Chair, who was not able to attend the meeting. Mr. Fontana called the meeting to order at 12:40 p.m. Eastern Time, with a quorum of seven of the eight Committee members present:

Feiss, Geoff	Wade, Dr. Joan
Fontana, Brent – Vice Chair	Waller, Jeff – <i>by telephone</i>
Freeman, Sarah – <i>by telephone</i>	Wein, Olivia
Sekar, Radha – Chief Executive Officer	

Member of the Committee not present:

Wibberly, Dr. Kathy – Chair

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer – *by telephone*
Butler, Stephen – Vice President of Shared Services – *by telephone*
Buzacott, Alan – Member of the Board – *by telephone*
Chalk, Indra – Member of the Board
Delmar, Teleshia – Vice President of Audit and Assurance – *by telephone*
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and
Assistant Treasurer – *by telephone*
Gillan, Joe – Member of the Board
Gregory, Amber – Member of the Board – *by telephone*
Hughes, Pamela – Vice President of Lifeline – *by telephone*
Hutchinson, Kyle – Vice President of IT and Chief Information Officer – *by telephone*

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.

Jacobs, Ellis – Member of the Board– *by telephone*
Mason, Ken – Member of the Board
Schell, Julie Tritt – Member of the Board
Skrivan, Michael – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Williams, Erin – Acting Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Bolling, Christopher – <i>by telephone</i>	USAC
Glisson, Connor – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Levitats, Joshua	USAC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Pace, Regina – <i>by telephone</i>	USAC
Phillippi, Megan	USAC
Sadirkhanova, Sabina – <i>by telephone</i>	USAC
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies, LLC
Tiwari, Tanya– <i>by telephone</i>	USAC
Wilson Jr., Jerusa Carl – <i>by telephone</i>	USAC

OPEN SESSION

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

- a1. **Consent Items.** Mr. Fontana presented this item to the Committee.
- A. Approval of Rural Health Care Committee Meeting Minutes of January 24, 2022.
- B. Approval of moving all *Executive Session* items into *Executive Session*:
- (1) **i3** – Rural Health Care Business Update (*Continued*). USAC management recommended that this item be discussed in *Executive Session* because it may involve discussion of *specific internal controls or confidential company data or 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.

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

RESOLVED, that the Rural Health Care Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 24, 2022; and (2) discussion in *Executive Session* of the items noted above.

- a2. Approval of Rural Health Care Support Mechanism 3rd Quarter 2022 Programmatic Budget and Demand Projection for the May 2, 2022 Federal Communications Commission (FCC) Filing.** Mr. Sweeny presented this item for consideration. The presentation included a written report on USAC management's recommendations for the Rural Health Care Mechanism 3rd Quarter 2022 programmatic budget and demand projection for the May 2, 2022 FCC Filing.

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 2022 Rural Health Care Support Mechanism direct program budget of \$4.61 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee directs USAC staff to submit a collection requirement of \$4.61 million for Rural Health Care Support Mechanism administrative costs in the required May 2, 2022 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee, having reviewed at its meeting on April 25, 2022 the 3rd Quarter 2022 Rural Health Care Support Mechanism demand estimate of \$159.25 million, hereby directs USAC staff to proceed with the required May 2, 2022 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.

- i1. Information on Four USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes only*. Mr. Fontana noted that the Rural Health Care Audit Briefing Book would be made public and posted to the USAC website.
- i2. Rural Health Care Business Update.** Mr. Sweeney presented PowerPoint slides to the Committee covering the following items:

Available For Public Use

- Funding Year (FY) 2022 and FY2021 Applications Updates
- Edibility and Invoicing
- Other Accomplishments
- Plans for 2Q2022
- Roadmap
- Systems Update
 - HCF Automation Releases and Plans for Next Quarter

At 1:09 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing confidential items. Only members of the Board and USAC staff were present.

EXECUTIVE SESSION

- i3. **Rural Health Care Business Update (*Continued*)**. Mr. Sweeney and Ms. Sekar presented a verbal update on the CEO Roundtable and Mr. Sweeney presented PowerPoint Slides covering call center metrics.

OPEN SESSION

At 1:18 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Fontana reported that, in *Executive Session*, the Committee discussed item i3.

On a motion duly made and seconded, the Committee adjourned at 1:19 p.m. Eastern Time.

/s/ Erin Williams

Assistant Secretary

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

ACTION ITEM

**Approval of Rural Health Care Support Mechanism
4th Quarter 2022 Programmatic Budget and
Demand Projection for the August 2, 2022 FCC Filing**

Action Requested

The Rural Health Care Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2022 (4Q2022) 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, 2022 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

Funding Requirement

USAC estimates the 4Q2022 funding requirement for the Rural Health Care Support Mechanism as follows:

¹ See 47 C.F.R. § 54.715(c).

² See 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
Steady State:				
Program Funding Requirement	\$152.15	\$0.49	\$152.64	See Note 1 and Table B
Adjustments	0.00	(\$159.43)	(\$159.43)	See Note 2
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Funding Requirement	\$152.15	(\$158.94)	-\$6.79	
Prior Period Adjustments (difference between projections and actuals):				
Billings	(\$0.08)	0.11	0.03	
Bad Debt Expense	(0.10)	0.18	0.08	
Total Prior Period Adjustments	(\$0.18)	0.29	0.11	
USAC Administrative Expenses ³	\$7.28	(\$0.49)	\$6.79	See Note 2 and Table D
Total Funding Requirement	\$159.25	(\$159.14)	\$0.11	

Note 1: On March 14, 2022, the Commission announced a funding cap for Funding Year 2022 of \$637.72 million.⁴ The Program Funding Requirement represents one quarter of the Funding Year 2022 cap, less USAC administrative costs. See Table B below for additional detail.

Note 2: Based on FCC guidance, USAC will use available carry forward funds as of June 30, 2022 to reduce collections for 4Q2022 and subsequent quarters after first reserving sufficient funds to meet demand above the cap for Funding Year 2022 (including estimated administrative expenses).

Table B. Funding Year 2022 Program Funding Requirement

<i>(in millions)</i>	Fund Year 2022	Notes
Funding Year 2022 Cap	\$637.72	See Note 1
Quarterly Funding Requirement for Funding Year 2022	\$159.43	
Less USAC Administrative Costs, which are covered within the Funding Cap	(6.79)	
4Q2022 Program Funding Requirement	\$152.64	

Note 3: Table C reports funding available to carry forward as of June 30, 2022.

³ Administrative costs are covered within the funding cap.

⁴ See *Wireline Competition Bureau Announces E-Rate and RHC Programs' Inflation-Based Caps for Funding Year 2022*, CC Docket No. 02-6, WC Docket No. 02-60, Public Notice, 271 (2022).

Table C. Funding Year 2022 Available Roll Forward

<i>(in millions)</i>	Net Change
Unused Funds	
Available Funds	\$685.99
Disbursements	(591.10)
Reserved Funds	
a. Pending Applications to Process	527.58
b. Unliquidated Obligations (ULOs)	(221.18)
c. Appeals Reserve - USAC Appeals	(9.87)
d. Appeals Reserve - FCC Appeals	(10.91)
Total Unused Funds	380.50

Based on the projected burn rate, USAC estimates the following 4Q2022 programmatic budget:

Table D. Quarterly Programmatic Budget

<i>(in millions)</i>	3Q2022 Budget	Increase/ (Decrease)	4Q2022 Budget	Notes
Direct Program Costs				
Employee Expenses	\$1.71	\$0.21	\$1.92	
Professional Services	1.19	(0.83)	0.36	
General & Administrative	0.01	(0.01)	0.00	See Note 4
Total Direct Program Costs	\$2.91	(\$0.63)	\$2.28	
Direct Assigned Costs				
Employee Expenses	\$0.38	\$0.03	\$0.41	
Professional Services	1.08	(0.07)	1.01	
General & Administrative	0.24	0.01	0.25	See Note 4
Total Direct Assigned Costs	\$1.70	(\$0.03)	\$1.67	
Total Direct Program & Direct Assigned Costs	\$4.61	(\$0.66)	\$3.95	
Common Allocated Costs	\$2.67	\$0.17	\$2.84	
Total Programmatic Budget	\$7.28	(\$0.49)	\$6.79	

Note 4: General & Administrative expenses include reference materials and software licenses.

A comparison of actual expenditures to the budget for the six months ending June 30, 2022 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the 4Q2022 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 4th Quarter 2022 Rural Health Care Support Mechanism direct program budget of \$3.95 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee directs USAC staff to submit a collection requirement of \$0.00 million for Rural Health Care Support Mechanism administrative costs in the required August 2, 2022 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee, having reviewed at its meeting on July 25, 2022 the 4th Quarter 2022 Rural Health Care Support Mechanism demand estimate of \$0.11 million, hereby directs USAC staff to proceed with the required August 2, 2022 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 Six Months Ending June 30, 2022

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	48	51	3	\$3.10	\$3.33	\$0.23
Professional Services (Note 5)				0.89	2.39	1.50
General & Administrative (Note 6)				0.00	0.01	0.01
Total Direct Program Costs				\$3.99	\$5.73	\$1.74
Direct Assigned Costs						
Employee Expenses	7	8	1	\$0.91	\$0.74	(\$0.17)
Professional Services (Note 5)				2.93	2.29	(0.64)
General & Administrative (Note 6)				0.44	0.49	0.05
Total Direct Assigned Costs				\$4.28	\$3.52	(\$0.76)
Total Direct Program & Direct Assigned Costs	55	59	4	\$8.27	\$9.25	\$0.98
Common Allocated Costs (Note 7)				\$5.05	\$4.51	(\$0.54)
Total Programmatic Budget				\$13.32	\$13.76	\$0.44

Note 5: Direct Program Professional Services include business process outsourcing (BPO) and rates database support. Direct Assigned Professional Services include beneficiary & contribution audit program audits and IT contract labor.

Note 6: General & Administrative expenses include reference materials and software licenses.

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.



Rural Health Care Committee Meeting

Rural Health Care Business Update

Open Session

July 25, 2022



Universal Service
Administrative Co.

Agenda

- Business Updates
 - Funding Year (FY) 2022 Demand and Trends
 - Modernization Impacts
 - Plans for Q3 2022
- Roadmap
- Systems Update
 - HCF Automation Status
- Appendix: Metrics

FY2022 Demand

- FY2022 Demand
 - FY2022 Application Window closed on June 1, 2022
 - FY2022 Program Cap is set at \$637 million
 - FY2022 Program Gross Applicant Demand: \$669.70 million
- FY2022 Upfront and Multi-year Internal Cap: \$161.02 million
 - FY2022 upfront and multi-year gross demand: \$146.50 million

FY2022 Demand (Continued)

FY22 Gross Demand by Program

Program	Gross Demand	Number of Applications
Healthcare Connect Fund (HCF)	\$407,227,851.94	12,686
Telecom	\$262,476,275.71	2,234
Grand Total	\$669,704,127.65	14,920

FY2022 Demand Trends

- Telecom Program
 - Gross demand increase from \$222 million to \$259 million despite a reduction in applications.
 - Alaska continues to be the dominant state for the program making up 96% (\$259 million) of the demand.
 - Alaska HCPs with large increase in demand was due to upgrade of service to satellite with higher bandwidths.
- HCF
 - Gross demand declined slightly from \$418 million in FY2021 to \$407 million in FY2022.
 - Consortium Palmetto State providers network is the largest project with gross demand seeking \$35 million in support.
 - Participants in HCF are well distributed across states and three largest states are CA, SC, and NC seeking between \$23-\$24 million in gross demand.
- For FY2022, 57% (HCF) and 80% (Telecom) of dollars were received during the month of May.

RHC Connect Summary of Improvements

- Better Customer Application Experience
 - Applicant overall feedback captured to date has been extremely positive.
 - RHC Connect has a modernized paginated interface, and improvements have been made to screens, question layout, and overall information gathering, including 508 compliance.
 - Information requests conducted through the system, with applicants being able to communicate and upload documents in the system directly and view reviewer notes.
 - Applicants have access to screens showing them outstanding information requests and a list of their drafts – a ‘to-do’ list.
 - Going forward, applicants will receive decision letters with line item explanations.

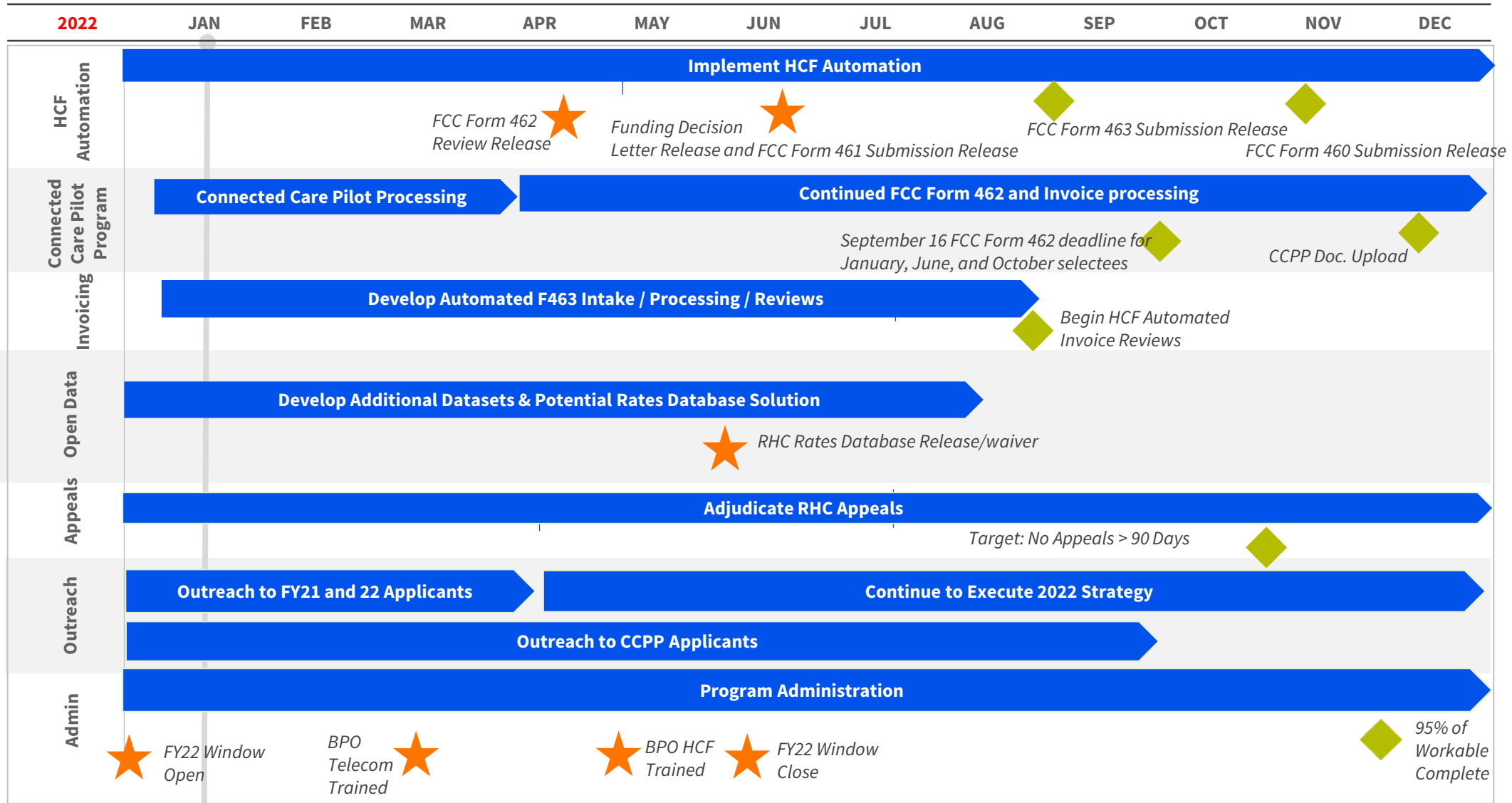
RHC Connect Summary of Improvements (Continued)

- Improved Application Reviewer Experience
 - Replaced reliance on manual processing.
 - Reviews are now being done inside the system, built-in business rules based on user type and review level (such as Business Process Outsourcing or Initial Reviewer).
 - Reporting is system generated through Appian-EDW:
 - Review assignment;
 - Application status;
 - Information request status; and
 - Line item outcomes.
 - The system now includes:
 - Calculations of any caps or rules beyond the initial demand;
 - Documentation accessed and stored within the system; and
 - Audit history and any review notes or changes to the form.

Plans for Q3 2022

- Continue review of applications utilizing both My Portal and RHC Connect systems.
- Deliver velocity plan that delivers commitments on 95% of workable applications by end of CY2022.
- Continued outreach – Obtain feedback about RHC Connect and inform them of program updates.
- CCPP – Focus on helping applicants submit the first funding request by September 16.

Roadmap



Milestone Legend

- ▲ At Risk
- ◆ On Track
- ★ Completed

RHC Systems Update

Active Projects	Project Status	Target Production Date	Project Update & Risks
<p>RHC Modernization – HCF Automation: Build a new HCF application on the Appian platform in order to enhance the applicant user experience, automate review and invoicing work flows and improve security and compliance.</p> <ul style="list-style-type: none"> FCC Form 462 Review FCC Form 462 Obligations FCC Form 461 Intake and Review FCC Form 463 Intake, Review, and Obligations FCC Form 460 Intake and Review 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>In Development</p> <p>Requirements</p>	<p>4/15/2022</p> <p>6/28/2022</p> <p>6/28/2022</p> <p>9/09/2022</p> <p>11/11/2022</p>	
<p>RHC Modernization – Telecom</p>	<p>Not Started</p>	<p>Q4 2023</p>	
<p>Connected Care Pilot Program: Annual and Final Report</p>	<p>Not Started</p>	<p>11/1/2022</p>	

Appendix A: Metrics

RHC HCF Pre-Commitment (Data through June 30, 2022)

			Q1	Q2	Q3	Q4	Total
Requested	2022	Demand	4,890	5,696	-	-	10,586
		Requested Dollars	\$113,455,158	\$416,179,024	-	-	\$529,634,182
		Avg. Days Outstanding	28	28	-	-	28
	2021	Demand	7,212	6,043	1	30	13,286
		Requested Dollars	\$106,048,479	\$310,097,350	\$2,422	\$704,628	\$416,852,880
		Avg. Days Outstanding	393	393	273	223	342
Reviewed	2022	Reviewed Apps.	3	14	-	-	17
		Reviewed Dollars	\$1,219,089	\$91,116	-	-	\$1,310,206
	2021	Reviewed Apps.	2	243	5,760	6,532	12,537
		Reviewed Dollars	\$16,159	\$74,942,476	\$92,933,011	\$160,534,560	\$328,426,206

Appendix A: Metrics (Continued)

RHC HCF Post-Commitment (Data through June 30, 2022)

			Q1	Q2	Q3	Q4	Total
Submitted	2022	Invoice Counts	-	-	-	-	-
		Invoice Dollars	-	-	-	-	-
	2021	Invoice Counts	-	-	50	465	515
		Invoice Dollars	-	-	\$227,274	\$1,835,962	\$1,947,242
Disbursed	2022	Invoice Counts	-	-	-	-	-
		Invoice Dollars	-	-	-	-	-
	2021	Invoice Counts	-	-	-	358	358
		Invoice Dollars	-	-	-	\$4,770,461	\$4,770,461

Appendix A: Metrics (Continued)

RHC Telecom Pre-Commitment (Data through June 30, 2022)

		Q1	Q2	Q3	Q4	Total	
Requested	2022	Demand	767	1,462	-	-	2,229
		Requested Dollars	\$22,521,171	\$239,609,326	-	-	\$262,130,497
		Avg. Days Outstanding	29	29	-	-	29
	2021	Demand	373	2,129	-	-	2,502
		Requested Dollars	\$10,061,559	\$217,172,776	-	-	\$227,234,334
		Avg. Days Outstanding	-	-	-	-	-
Reviewed	2022	Reviewed Apps.	-	4	-	-	4
		Reviewed Dollars	-	\$9,600	-	-	\$9,600
	2021	Reviewed Apps.	-	1	1,059	986	2,046
		Reviewed Dollars	-	\$21,766	\$17,691,940	\$108,646,751	\$126,360,457

Appendix A: Metrics (Continued)

RHC Telecom Post-Commitment (Data through June 30, 2022)

			Q1	Q2	Q3	Q4	Total
Submitted	2022	Invoice Counts	-	-	-	-	-
		Invoice Dollars	-	-	-	-	-
	2021	Invoice Counts	-	-	9	47	56
		Invoice Dollars	-	-	\$1,881,292	\$49,111,435	\$49,111,435
Disbursed	2022	Invoice Counts	-	-	-	-	-
		Invoice Dollars	-	-	-	-	-
	2021	Invoice Counts	-	-	8	41	49
		Invoice Dollars	-	-	\$1,456,538	\$31,654,206	\$31,654,206



**Universal Service
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