



Rural Health Care Committee

Briefing Book

Monday, October 24, 2022

12:45 p.m. – 1:25 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, October 24, 2022
12:45 p.m. – 1:25 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 July 25, 2022 B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> C. Consideration and Approval of One Routine Procurement	5
Mark	a2. Approval of the Rural Health Care Support Mechanism 1st Quarter 2023 Programmatic Budget and Demand Projection for the November 2, 2022 FCC Filing	5
Teleshia	i1. Information on Six USAC Audit and Assurance 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"> • Accomplishments • 4Q2022 Plans • Funding Year 2023 Preparation • Roadmap • Appendix: Program Metrics 	20

<u>EXECUTIVE SESSION</u> Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Mark	i3. Rural Health Care Business Update <ul style="list-style-type: none"> • Business Process Outsourcing Vendor Performance • Healthcare Connect Fund Modernization Lessons Learned 	10
Chris	a3. Consideration to Exercise Three One-Year Option Terms for the Rural Health Care Program Form Processing Business Process Outsourcing Services	–

Next Scheduled USAC Rural Health Care Committee Meeting

**Monday, January 30, 2023
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 July 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*). 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.
 - (2) **a3** – Consideration to Exercise Three One-Year Option Terms for the Rural Health Care Program Form Processing Business Process Outsourcing Services. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- C. Consideration and Approval of One Routine Procurement
 - (1) Approval of the Consideration to Exercise Three One-Year Option Terms for the Rural Health Care Program Form Processing Business Process Outsourcing Services. The resolution is provided in **aRHC03cf**. If discussion is needed, it will be conducted in *Executive Session*.

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 July 25, 2022; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of one routine procurement as presented in item aRHC03cf.

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

RURAL HEALTH CARE COMMITTEE MEETING
Monday, July 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, July 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. Dr. Kathy Wibberly, Committee Chair, called the meeting to order at 1:59 p.m. Eastern Time, with a quorum of seven of the eight Committee members present:

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

Member of the Committee not present:

Fontana, Brent – Vice Chair

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer – *by telephone*
Buzacott, Alan – Member of the Board
Chalk, Indra – Member of the Board
Choroser, Beth – Member of the Board – *by telephone*
Davis, Craig – Vice President of Schools and Libraries – *by telephone*
Delmar, Teleshia – Vice President of Audit and Assurance – *by telephone*
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer
Gillan, Joe – Member of the Board
Gregory, Amber – Member of the Board
Hughes, Pam – Vice President of Lifeline
Hutchinson, Kyle – Vice President of IT and Chief Information Officer

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 – Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Augustino, Steven – <i>by telephone</i>	Nelson Mullins
Bolling, Christopher – <i>by telephone</i>	USAC
Case, Kevin – <i>by telephone</i>	USAC
Evirgen, Danielle – <i>by telephone</i>	Frontier Communications
Faunce, Donna – <i>by telephone</i>	USAC
Glisson, Connor – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Lazarony, Joseph – <i>by telephone</i>	USAC
Little, Christopher – <i>by telephone</i>	USAC
Long, April – <i>by telephone</i>	USAC
McIntosh, Denise – <i>by telephone</i>	Frontier Commutations
Miller, Arielle – <i>by telephone</i>	USAC
Nuzzo, Patsy	USAC
Parsons, Laura – <i>by telephone</i>	Maximus
Phillippi, Megan	USAC
Rios, Estee – <i>by telephone</i>	USAC
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies, LLC
Sihuin, Mely – <i>by telephone</i>	USAC
Tiwari, Tanya – <i>by telephone</i>	Morgan Lewis
Voth, Cara – <i>by telephone</i>	FCC
Wilson Jr., Jerusa Carl	USAC

OPEN SESSION

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

- a1. Consent Items.** Dr. Wibberly presented this item to the Committee.
- A.** Approval of Rural Health Care Committee Meeting Minutes of April 25, 2022.
- B.** Approval of moving all *Executive Session* items into *Executive Session*:
- (1) **i3** – Rural Health Care Business Update (*Continued, if needed*). 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*

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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 April 25, 2022; and (2) discussion in *Executive Session* of the item noted above.

- a2. Approval of Rural Health Care Support Mechanism 4th Quarter 2022 Programmatic Budget and Demand Projection for the August 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 4th Quarter 2022 programmatic budget and demand projection for the August 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 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.

- ii. Information on Three USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Audit Reports.** This item was provided for

information purposes only. Dr. Wibberly 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:

- Funding Year (FY) 2022 Demand Analysis
- RHC Connect Improvements
- Plans for Q3 2022
- Roadmap
- RHC Systems Update

i3. Rural Health Care Business Update (Continued). The committee determined that continued discussion in Executive Session was not needed.

On a motion duly made and seconded, the Committee adjourned at 2:26 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
1st Quarter 2023 Programmatic Budget and
Demand Projection for the November 2, 2022 FCC Filing**

Action Requested

The Rural Health Care Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 1st Quarter 2023 (1Q2023) 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, 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 1Q2023 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>	4Q2022	Increase/ (Decrease)	1Q2023	Notes
Steady State:				
Program Funding Requirement	\$152.64	\$0.06	\$152.70	See Note 1 and Table B
Adjustments	(\$159.43)	\$48.49	(\$110.94)	See Note 2
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Funding Requirement	(\$6.79)	\$48.55	\$41.76	
Prior Period Adjustments (difference between projections and actuals):				
Billings	\$0.03	\$23.47	\$23.50	
Interest Income	0.00	(0.01)	(0.01)	
Bad Debt Expense	0.08	(1.27)	(1.19)	
Total Prior Period Adjustments	\$0.11	\$22.19	\$22.30	
USAC Administrative Expenses ³	\$6.79	(\$0.06)	\$6.73	See Note 2 and Table D
Total Funding Requirement	\$0.11	\$70.68	\$70.79	

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	(6.73)	
1Q2023 Program Funding Requirement	\$152.70	

Note 3: Table C is an annual schedule that is updated once a year and reports funding

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).

available to carry forward as of June 30, 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	(10.92)
Total Unused Funds	\$380.50

Based on the projected burn rate, USAC estimates the following 1Q2023 programmatic budget:

Table D. Quarterly Programmatic Budget

<i>(in millions)</i>	4Q2022 Budget	Increase/ (Decrease)	1Q2023 Budget	Notes
Direct Program Costs				
Employee Expenses	\$1.92	(\$0.27)	\$1.65	
Professional Services	0.36	0.52	0.88	
General & Administrative	0.00	0.00	0.00	See Note 4
Total Direct Program Costs	\$2.28	\$0.25	\$2.53	
Direct Assigned Costs				
Employee Expenses	\$0.41	(\$0.07)	\$0.34	
Professional Services	1.01	0.32	1.33	
General & Administrative	0.25	0.03	0.28	See Note 4
Total Direct Assigned Costs	\$1.67	\$0.28	\$1.95	
Total Direct Program & Direct Assigned Costs	\$3.95	\$0.53	\$4.48	
Common Allocated Costs	\$2.84	(\$0.59)	\$2.25	
Total Programmatic Budget	\$6.79	(\$0.06)	\$6.73	

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

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

Recommendation

USAC management recommends that the Committee approve the 1Q2023 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 2023 Rural Health Care Support Mechanism direct program budget of \$4.48 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee directs USAC staff to submit a collection requirement of \$4.48 million for Rural Health Care Support Mechanism administrative costs in the required November 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 October 24, 2022 the 1st Quarter 2023 Rural Health Care Support Mechanism demand estimate of \$70.79 million, hereby directs USAC staff to proceed with the required November 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
Nine Months Ending September 30, 2022

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	49	51	2	\$4.67	\$5.04	\$0.37
Professional Services (Note 5)				2.27	3.58	1.31
General & Administrative (Note 6)				0.00	0.02	0.02
Total Direct Program Costs				\$6.94	\$8.64	\$1.70
Direct Assigned Costs						
Employee Expenses	7	8	1	\$1.29	\$1.12	(\$0.17)
Professional Services (Note 5)				4.25	3.37	(0.88)
General & Administrative (Note 6)				0.67	0.73	0.06
Total Direct Assigned Costs				\$6.21	\$5.22	(\$0.99)
Total Direct Program & Direct Assigned Costs	56	59	3	\$13.15	\$13.86	\$0.71
Common Allocated Costs (Note 7)				\$7.74	\$7.18	(\$0.56)
Total Programmatic Budget				\$20.89	\$21.04	\$0.15

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

Rural Health Care Business Update

Open Session

October 24, 2022



Universal Service
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Agenda

- Accomplishments
- Plans for 4Q2022
 - Funding Year 2023 Preparation
- Roadmap
- Appendix: Program Metrics

Accomplishments

- Funding Year 2022 Application Processing
 - Completed 1,822 of 2,229 Telecom Applications – 81.7%.
 - Completed 8,449 of 12,686 HCF Applications – 66.6%.
 - Completed over 50% of all applications within eight weeks of the window close.
- Processed 47 appeals while receiving 19 appeals.
- Completed release of customer-facing HCF invoicing forms on Sep. 28, 2022.
- Revised denial language in the funding commitment letter to provide more clarity for stakeholders.

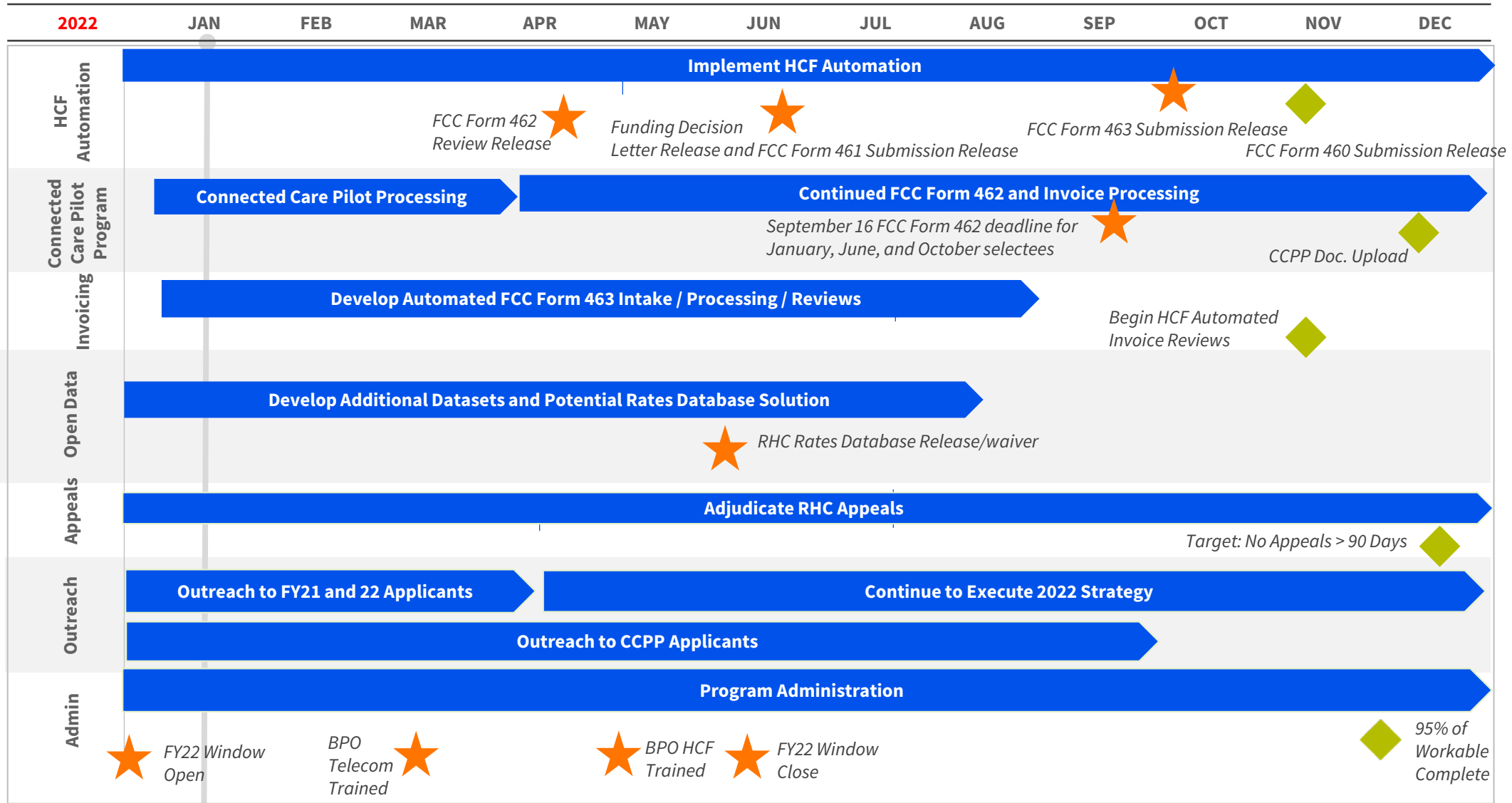
4Q2022 Plans

- Complete Funding Year (FY) 2022 application processing.
- Complete appeal reduction project by year-end.
- Release internal HCF invoicing review capability on November 11, 2022.
- Open FY2023 application window on December 1, 2022.

FY 2023 Preparation

- FY2023 Application Window opens on December 1, 2022.
 - HCF Applications will be completed in RHC Connect.
 - Telecom Applications will be completed in MyPortal.
- Outreach Activities
 - Articles in November and December newsletters.
 - HCF FY2023 Funding Request Webinar on November 9, 2022.
 - Telecom FY2023 Funding Request Webinar on November 16, 2022.
 - Increased Office Hours Sessions
- Application window closes on Monday, April 3, 2023. Including weekend coverage by call center and RHC staff.

Roadmap



Milestone Legend

- At Risk (Red Triangle)
- On Track (Green Diamond)
- Completed (Orange Star)

Appendix A: RHC Program Metrics

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

Fund Year		Q1	Q2	Q3	Q4	Total	
Requested	2022	Demand	4,890	5,694	9	–	10,593
		Requested Dollars	\$100,587,579	\$301,832,016	\$79,038,850	–	\$481,458,445
		Avg. Days Outstanding	124	123	17	–	123
	2021	Demand	7,176	6,014	1	30	13,221
		Requested Dollars	\$104,820,679	\$308,087,645	\$2,422	\$704,628	\$413,615,374
		Avg. Days Outstanding	488	488	368	318	437
Reviewed	2022	Reviewed Apps.	3	16	8,435	–	8,454
		Reviewed Dollars	\$1,219,089	–	\$85,506,336	–	\$86,725,425
	2021	Reviewed Apps.	2	243	5,727	6,506	12,478
		Reviewed Dollars	\$16,159	\$74,942,476	\$91,936,720	\$159,258,835	\$326,154,190

Appendix A: RHC Program Metrics (Continued)

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

Calendar Year			Q1	Q2	Q3	Q4	Total
Submitted	2022	Invoice Counts	3,110	1,711	8,928	1	13,750
		Invoice Dollars	\$42,076,246	\$25,467,823	\$109,360,914	\$341	\$176,905,323.59
	2021	Invoice Counts	2,059	2,141	8,777	2,490	15,467
		Invoice Dollars	\$20,041,186	\$21,791,516	\$107,345,080	\$33,437,000	\$166,452,600
Disbursed	2022	Invoice Counts	2,825	2,096	7,486	–	12,407
		Invoice Dollars	\$78,445,891	\$84,949,054	\$135,000,681	–	\$298,395,626.59
	2021	Invoice Counts	2,420	1,718	7,738	3,612	15,488
		Invoice Dollars	\$54,777,301	\$48,792,969	\$144,471,753	\$90,507,177	\$338,549,198.78

Appendix A: RHC Program Metrics (Continued)

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

Fund Year		Q1	Q2	Q3	Q4	Total	
Requested	2022	Demand	767	1,462	–	–	2,229
		Requested Dollars	\$22,512,771	\$239,814,507	–	–	\$262,327,278
		Avg. Days Outstanding	123	123	–	–	123
	2021	Demand	373	2,129	–	–	2,502
		Requested Dollars	\$10,061,559	\$217,172,776	–	–	\$227,234,334
		Avg. Days Outstanding	–	488	–	–	488
Reviewed	2022	Reviewed Apps.	–	4	1,818	–	1,822
		Reviewed Dollars	–	\$1,200	\$243,790,411	–	\$243,791,611
	2021	Reviewed Apps.	–	1	1,059	986	2,046
		Reviewed Dollars	–	\$21,766	\$17,691,940	\$108,646,751	\$126,360,457

Appendix A: RHC Program Metrics (Continued)

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

Calendar Year		Q1	Q2	Q3	Q4	Total	
Submitted	2022	Invoice Counts	314	139	402	–	855
		Invoice Dollars	\$171,918,329	\$172,517,563	\$180,401,991	–	\$524,837,883
	2021	Invoice Counts	146	205	334	196	881
		Invoice Dollars	\$190,003,414	\$39,135,257	\$105,173,774	\$74,432,024	\$408,744,469
Disbursed	2022	Invoice Counts	330	139	359	–	828
		Invoice Dollars	\$168,756,779	\$172,090,074	\$179,420,396	–	\$520,267,249
	2021	Invoice Counts	162	180	313	214	869
		Invoice Dollars	\$193,196,879	\$38,390,872	\$92,026,088	\$67,288,856	\$390,902,695



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