



Rural Health Care Committee

Briefing Book

Monday, July 24, 2023

1:15 p.m. - 2:00 p.m. Eastern Time

Available For Public Use

Universal Service Administrative Company

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

Washington, D.C. 20005

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

**Monday, July 24, 2023
1:15 p.m. – 2:00 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 20, 2023 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 2023 Programmatic Budget and Demand Projection for the August 2, 2023 FCC Filing	5
Teleshia	i1. Information on Five 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"> • 2Q2023 Accomplishments • Funding Year 2023 Demand Trend Analysis • Plans for 3Q2023 • Roadmap • Appendix: Metrics 	20

<u>EXECUTIVE SESSION</u> Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Kyle/ Mark	i3. Rural Health Care Business Update <i>(Continued)</i> <ul style="list-style-type: none"> • RHC Connect Roadmap & Outreach 	10

Next Scheduled USAC Rural Health Care Committee Meeting

**Monday, October 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 April 20, 2023 (*see Attachment A-1*).
- B. Approval of moving the *Executive Session* item 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.

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 20, 2023; 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
Thursday, April 20, 2023

(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 Thursday, April 20, 2023. Dr. Kathy Wibberly called the meeting to order at 3:00 p.m. Eastern Time, with a quorum of seven of the eight Committee members present:

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

Member of the Committee not present:

Skrivan, Michael

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer – *by telephone*
Butler, Stephen – Vice President of Shared Services
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Gaither, Victor – Vice President of High Cost – *by telephone*
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer
Gillan, Joe – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
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>
Bolling, Christopher – <i>by telephone</i>	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.

<u>NAME</u>	<u>COMPANY</u>
Braxton, Carolyn	USAC
Faunce, Donna – <i>by telephone</i>	USAC
Goode, Vernell	USAC
James, Christine	USAC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Phillippi, Megan	USAC
Sihuin, Mely – <i>by telephone</i>	USAC
Wilson, Carl	USAC
Xu, Wayne – <i>by telephone</i>	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 January 30 and 31, 2023.
- 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 30 and January 31, 2023; and (2) discussion in *Executive Session* of the items noted above.

- a2. Approval of Rural Health Care Support Mechanism 3rd Quarter 2023 Programmatic Budget and Demand Projection for the May 2, 2023 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 2023 programmatic budget and demand projection for the May 2, 2023 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 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 May 2, 2023 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 20, 2023 the 3rd Quarter 2023 Rural Health Care Support Mechanism demand estimate of \$170.57 million, hereby directs USAC staff to proceed with the required May 2, 2023 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 One USAC Internal Audit Division Rural Health Care Support Mechanism Beneficiary Audit Report.** This item was provided for *information purposes only*. No discussion was held. 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:
 - 1Q2023 Accomplishments
 - Plans for 2Q2023
 - Roadmap

At 3:13 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 Mr. Hutchinson presented PowerPoint slides to the Committee covering the following items:
- Automation Update
 - Appeals Update

OPEN SESSION

At 3:37 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 i3.

On a motion duly made and seconded, the Committee adjourned at 3:37 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 2023 Programmatic Budget and Demand Projection for the
August 2, 2023 FCC Filing**

Action Requested

The Rural Health Care Committee (Committee) of the USAC Board of Directors (Board) is requested to approve a 4th Quarter 2023 (4Q2023) 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, 2023 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 4Q2023 funding requirement for the Rural Health Care Support Mechanism as follows:

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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>	3Q2023	Increase/ (Decrease)	4Q2023	Notes
Steady State:				
Program Funding Requirement	\$163.89	(\$0.08)	\$163.81	See Note 1 and Table B
Adjustments	(104.40)	104.40	0.00	See Note 2
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Funding Requirement	\$59.49	\$104.32	\$163.81	
Prior Period Adjustments (difference between projections and actuals):				
Billings	\$0.60	\$1.07	\$1.67	
Interest Income	0.00	(0.01)	(0.01)	
Bad Debt Expense	(0.62)	(0.65)	(1.27)	
Total Prior Period Adjustments	(\$0.02)	\$0.41	\$0.39	
USAC Administrative Expenses ³	\$6.70	\$0.08	\$6.78	See Table D
Total Funding Requirement	\$66.17	\$104.81	\$170.98	

Note 1: On March 9, 2023, the Commission announced a funding cap for Funding Year 2023 of \$682.36 million.⁴ The Program Funding Requirement represents one quarter of the Funding Year 2023 cap, less USAC administrative costs. See Table B below for additional detail.

Note 2: The FCC has directed USAC to use \$104.40 million of funds available to reduce required collections for Funding Year 2023 in 3Q2023.

Table B. Funding Year 2023 Program Funding Requirement

<i>(in millions)</i>	Fund Year 2023	Notes
Funding Year 2023 Cap	\$682.36	See Note 1
Quarterly Funding Requirement for Funding Year 2023	170.59	
Less USAC Administrative Costs, which are covered within the Funding Cap	(6.78)	
4Q2023 Program Funding Requirement	\$163.81	

Note 3: The Funding Year 2023 filing window closed on May 1, 2023. Funds available to carry forward to Funding Year 2023 as of April 30, 2023 are set forth in the table below. Based on guidance provided by the FCC, USAC will reserve \$57.1 million to satisfy demand above the cap and \$50 million to carry forward to future funding years and will use remaining available funds of \$104.40 million to

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 2023*, CC Docket No. 02-6, WC Docket No. 02-60, Public Notice, 178 (2023).

reduce required collections in 3Q2023.

Table C. Funding Year 2023 Available Roll Forward

<i>(in millions)</i>	Net Change
Unused Funds	
Available Funds	\$747.85
Disbursements	(419.77)
Reserved Funds	
a. Pending Applications to Process	(25.73)
b. Unliquidated Obligations (ULOs)	(71.65)
c. Appeals Reserve - USAC Appeals	(12.96)
d. Appeals Reserve - FCC Appeals	(6.24)
Total Unused Funds	\$211.50

Based on the projected burn rate, USAC estimates the following 4Q2023 programmatic budget:

Table D. Quarterly Programmatic Budget

<i>(in millions)</i>	3Q2023 Budget	Increase/ (Decrease)	4Q2023 Budget	Notes
Direct Program Costs				
Employee Expenses	\$1.65	\$0.11	\$1.76	
Professional Services	0.88	0.00	0.88	
General & Administrative	0.00	0.00	0.00	See Note 4
Total Direct Program Costs	\$2.53	\$0.11	\$2.64	
Direct Assigned Costs				
Employee Expenses	\$0.34	(\$0.05)	\$0.29	
Professional Services	1.33	0.00	1.33	
General & Administrative	0.28	0.01	0.29	See Note 4
Total Direct Assigned Costs	\$1.95	(\$0.04)	\$1.91	
Total Direct Program & Direct Assigned Costs	\$4.48	\$0.07	\$4.55	
Common Allocated Costs	\$2.22	\$0.01	\$2.23	
Total Programmatic Budget	\$6.70	\$0.08	\$6.78	

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, 2023 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the 4Q2023 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 2023 Rural Health Care Support Mechanism direct program budget of \$4.55 million; and

RESOLVED FURTHER, that the USAC Rural Health Care Committee directs USAC staff to submit a collection requirement of \$4.55 million for Rural Health Care Support Mechanism administrative costs in the required August 2, 2023 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 24, 2023 the 4th Quarter 2023 Rural Health Care Support Mechanism demand estimate of \$170.98 million, hereby directs USAC staff to proceed with the required August 2, 2023 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, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	48	52	4	\$3.30	\$3.30	\$0.00
Professional Services (Note 5)				1.16	1.76	0.60
General & Administrative (Note 6)				0.00	0.00	0.00
Total Direct Program Costs				\$4.46	\$5.06	\$0.60
Direct Assigned Costs						
Employee Expenses	7	8	1	\$0.90	\$0.68	(\$0.22)
Professional Services (Note 5)				2.80	2.67	(0.13)
General & Administrative (Note 6)				0.46	0.56	0.10
Total Direct Assigned Costs				\$4.16	\$3.91	(\$0.25)
Total Direct Program & Direct Assigned Costs	55	60	5	\$8.62	\$8.97	\$0.35
Common Allocated Costs (Note 7)				\$4.74	\$4.53	(\$0.21)
Total Programmatic Budget				\$13.36	\$13.50	\$0.14

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 (RHC) Committee

Rural Health Care Business Update

Open Session

July 24, 2023



Universal Service
Administrative Co.

Agenda

- 2Q2023 Accomplishments
- Funding Year (FY) 2023 Demand Trends Analysis
- Plans for 3Q2023
- Roadmap
- Appendix: Metrics

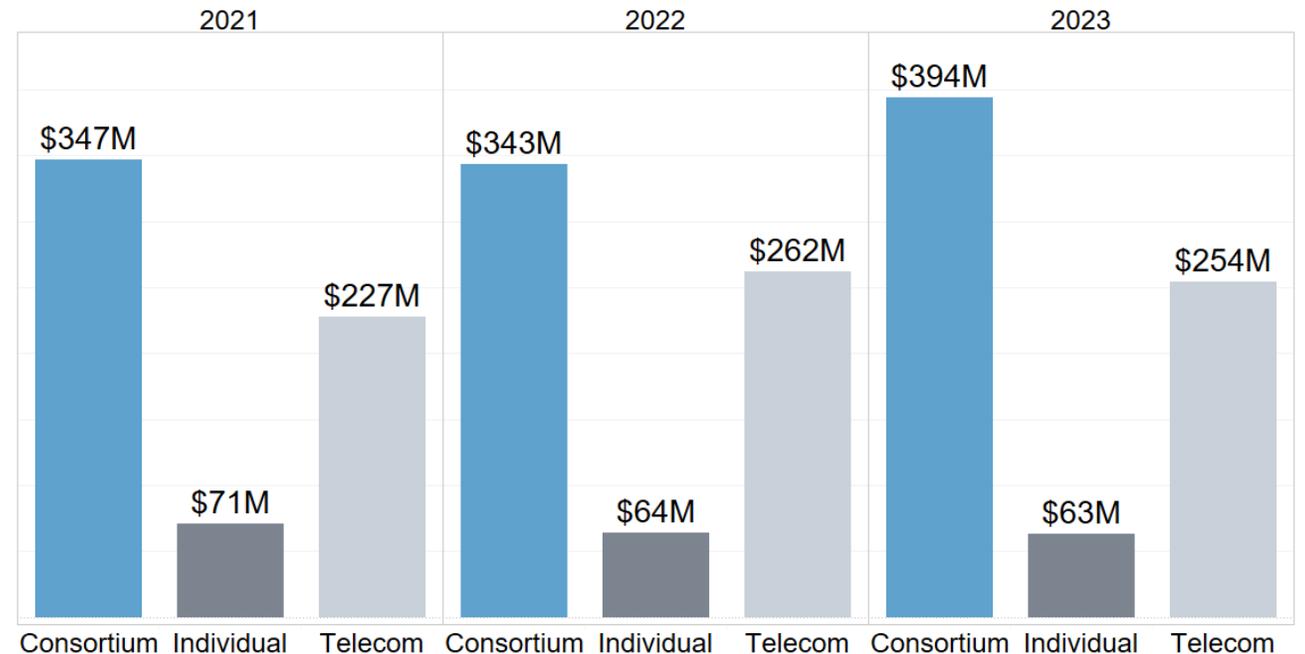
2Q2023 Accomplishments

- Completed funding application processing for FY2022.
- FY2023 filing window closed on May 1, 2023, at 11:59 p.m. with no major issues reported.
- USAC sent a formal letter to the FCC to advise them of the demand and state the balance of the contingency funds so that they might issue a PN to approve the demand and support it in full, with no proration.
- Delivered first wave of commitments within 30 days of May 1 window close.
- Released first group of post-commitment activities in the May 26 Modernization Release, including SPIN changes, site and service substitutions, and SDD and IDD change functionality.

FY2023 Gross Demand by Program and Funding Year

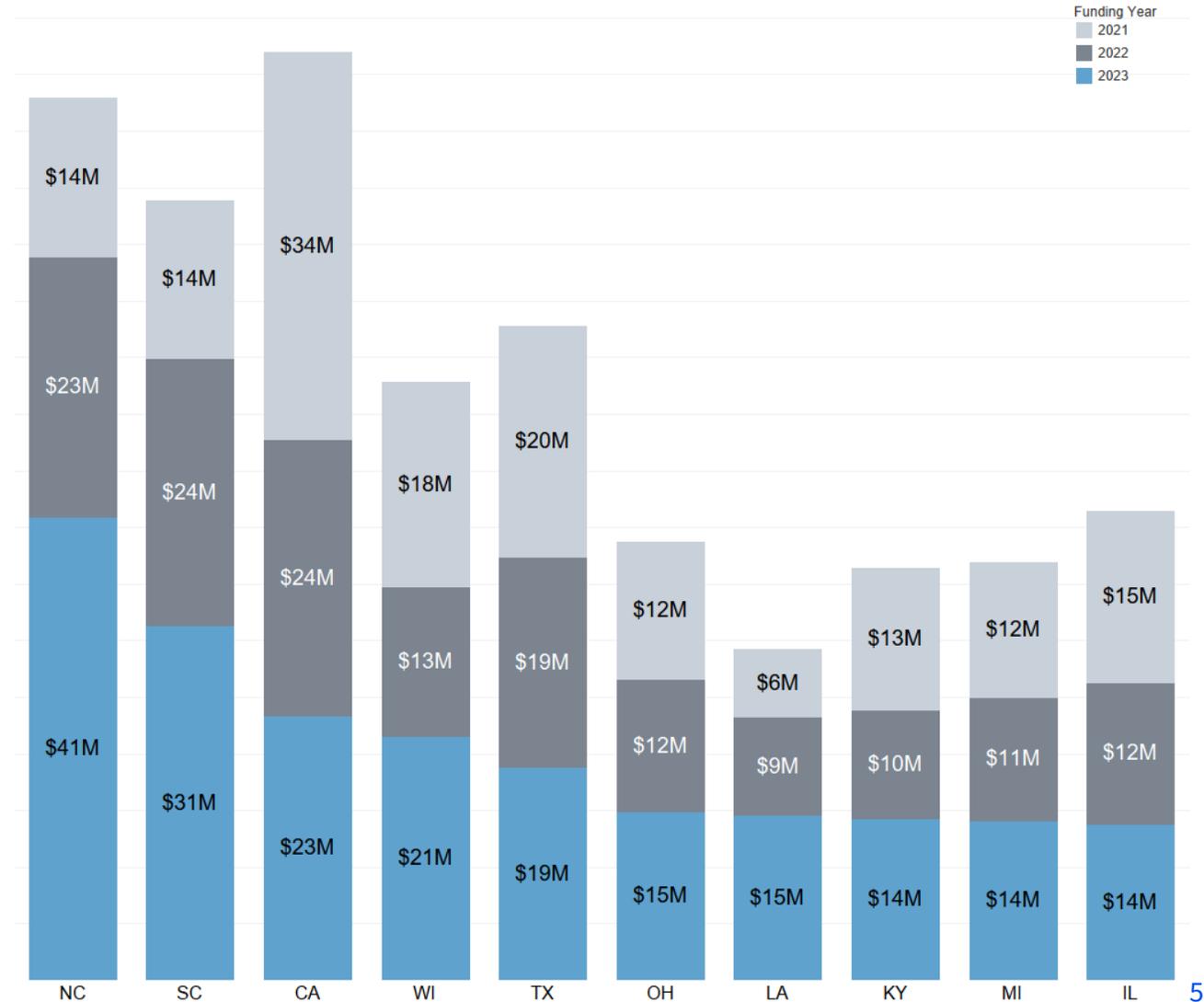
- In FY2023, the total gross demand decreased in Telecom and increased in HCF.
- Gross demand increased in Consortium HCP types while there was a slight decrease in Individual HCP types.
- HCF's requested funding increased by 12 percent (\$50M) in FY2023.

Program	Funding Year		
	2021	2022	2023
HCF	\$417,976,103	\$407,227,852	\$457,213,717
TELECOM	\$227,356,851	\$262,476,276	\$254,207,043
Grand Total	\$645,332,954	\$669,704,128	\$711,420,760



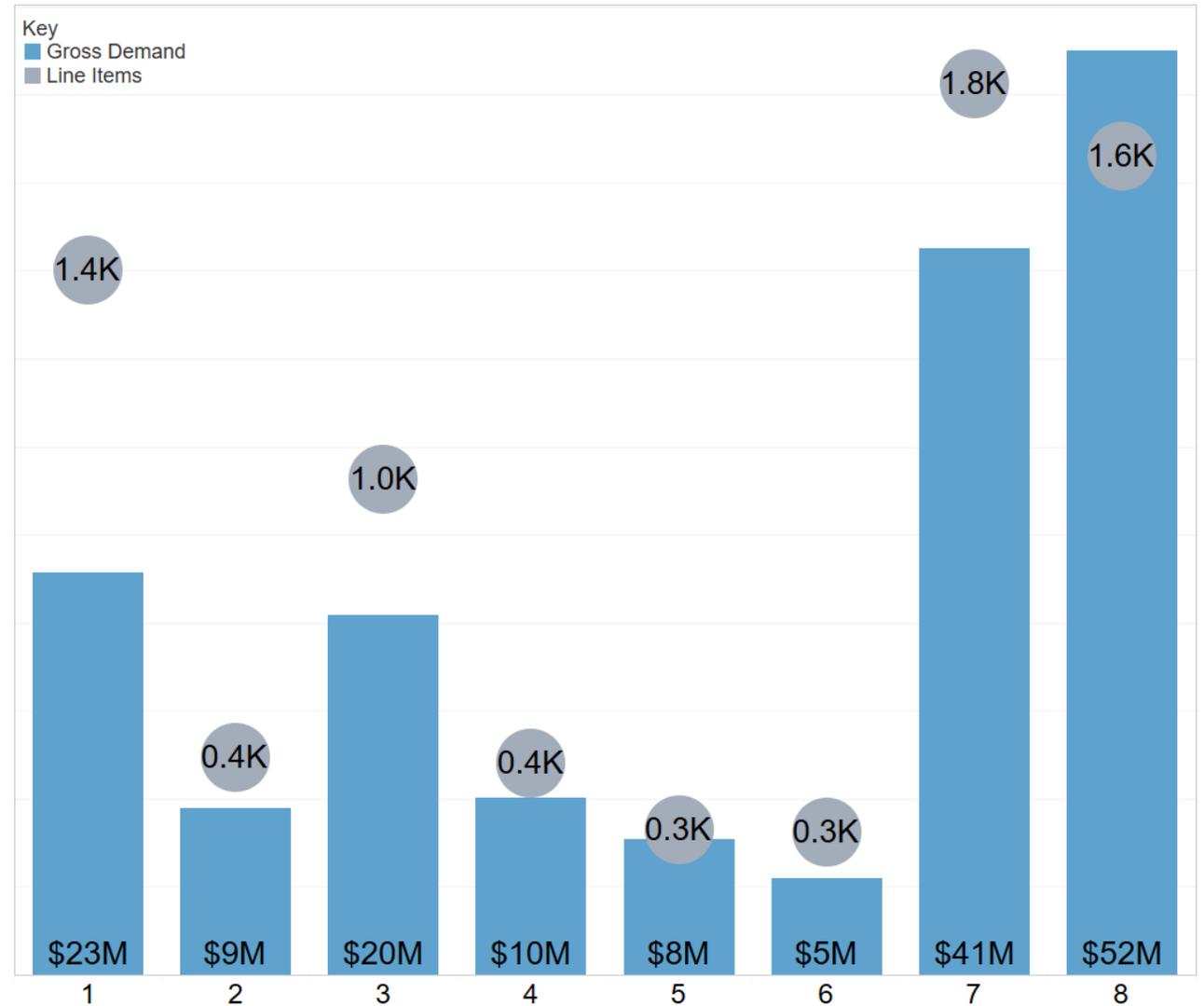
Top 10 HCF States by Gross Demand in FY2023

- North Carolina's gross demand decreased 78 percent (\$18M) in FY2023
 - Added \$13M in Ethernet services
- South Carolina's gross demand increased by \$7M
 - \$7.7M more in funding was requested for Network Switch (HCP owned)
- Wisconsin's gross demand increased by \$8M
 - Requested \$8.8M in funding for Bundled Network Management and Operation Services



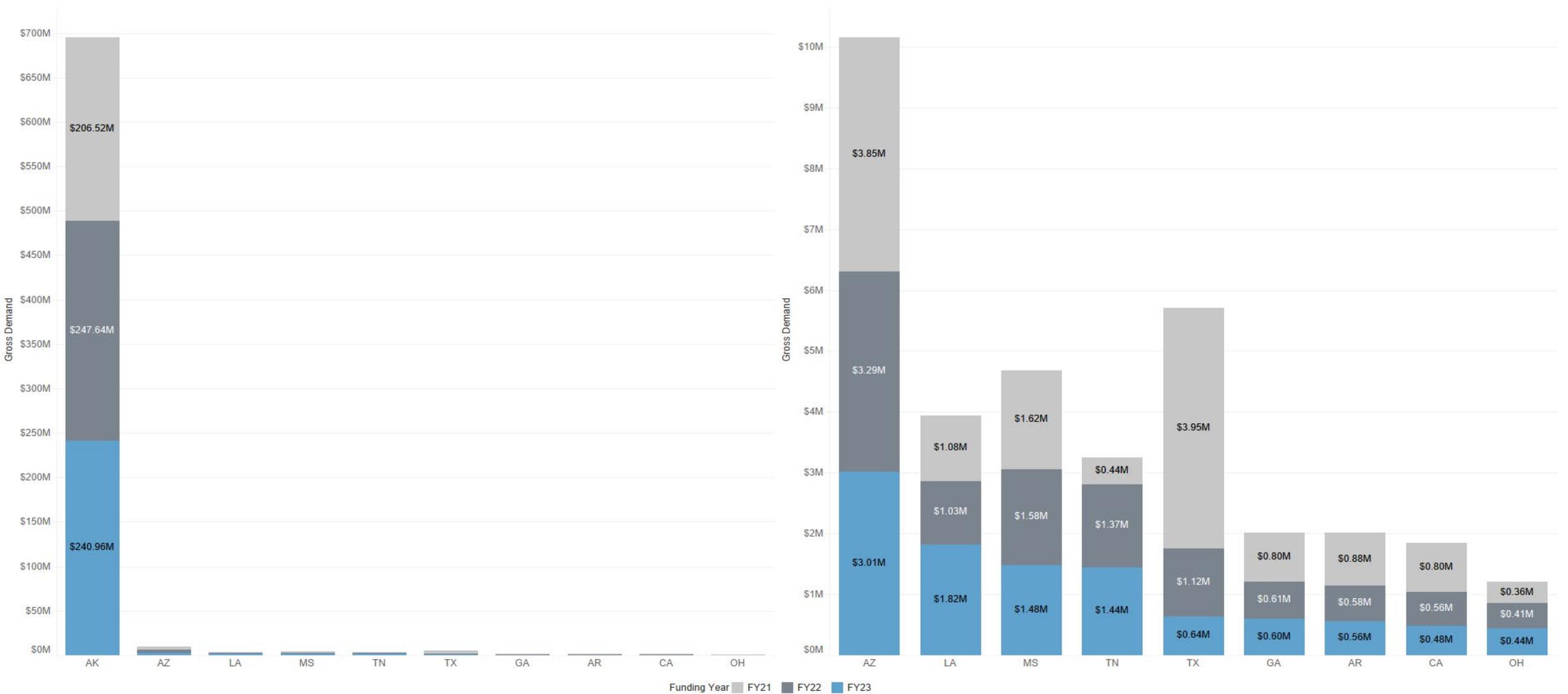
Upfront/Multi-Year Gross Demand FY2023 by Priority Tier

- Priority Tier 7 and 8 combined account for 55 percent of the HCF gross demand.
- Priority Tier 7 and 8 demand increased by \$19M.
- Upfront / Multi-year demand is up 15 percent in FY2023 (\$23M).



Note: Figures are based on the initial assessment of Gross Demand for FRNs subject to the Upfront and Multi-Year Cap at the close of the filing window for each Fund Year.

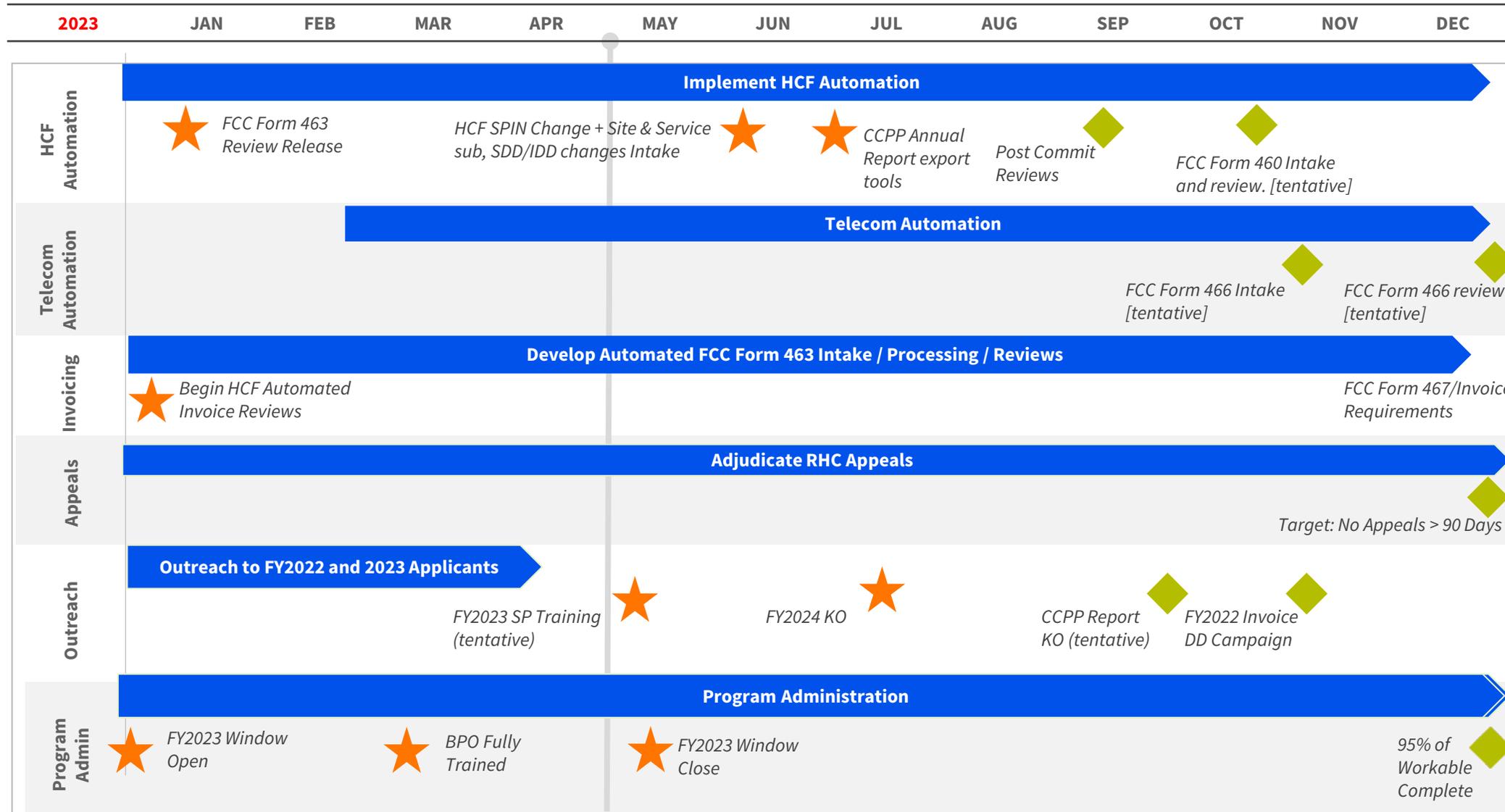
Telecom's Top 10 States in Gross Demand for FY2023



Plans for 3Q2023

- Deliver commitments for FY2023 applications.
- Second release of post-commitment activities for HCF targeted for 9/1.
- Further reduce appeals ageing backlog.
- Develop capability to move Telecom application (FCC Form 466) through RHC Connect.
- Continue program to move Telecom Program to RHC Connect in 2023/2024.

Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

Appendix: RHC Program Metrics

RHC HCF Pre-Commitment (Data as of June 30, 2023)

Fund Year			Q1	Q2	Q3	Q4	Total
Requested	2023	Demand	8,712	4,156	-	-	12,868
		Requested Dollars	\$157,507,818	\$298,852,421	-	-	\$456,360,238
		Avg. Days Outstanding	62	62	-	-	62
	2022	Demand	4,890	5,694	3	1	10,588
		Requested Dollars	\$100,055,822	\$288,977,437	\$595,569	\$94,800	\$389,723,627
		Avg. Days Outstanding	396	396	-	214	351
Reviewed	2023	Reviewed Apps.	3	6,678	-	-	6,681
		Reviewed Dollars	-	\$55,632,945	-	-	\$55,632,945
	2022	Reviewed Apps.	3	15	8,434	2,854	11,306
		Reviewed Dollars	\$1,219,089	-	\$85,506,336	\$111,070,429	\$197,795,854

Appendix A: RHC Program Metrics (Continued)

RHC HCF Post-Commitment (Data as of June 30, 2023)

Calendar Year		Q1	Q2	Q3	Q4	Total	
Submitted	2023	Invoice Counts	2,840	1,888	1	-	4,729
		Invoice Dollars	\$49,645,828	\$31,765,938	\$12,675	-	\$75,726,188
	2022	Invoice Counts	3,109	1,711	8,911	2,693	16,424
		Invoice Dollars	\$41,562,583	\$24,374,638	\$103,933,240	\$40,071,836	\$180,283,362
Disbursed	2023	Invoice Counts	2,794	1,504	-	-	4,298
		Invoice Dollars	\$44,139,209	\$18,262,307	-	-	\$58,780,161
	2022	Invoice Counts	3,049	1,702	8,883	2,598	16,232
		Invoice Dollars	\$38,354,011	\$23,579,784	\$100,793,859	\$37,134,798	\$172,119,048

Appendix A: RHC Program Metrics (Continued)

RHC Telecom Pre-Commitment (Data as of June 30, 2023)

Fund Year		Q1	Q2	Q3	Q4	Total	
Requested	2023	Demand	1,110	753	-	-	1,853
		Requested Dollars	\$125,205,886	\$127,226,712	-	-	\$252,432,598
		Avg. Days Outstanding	62	62	-	-	62
	2022	Demand	767	1,462	-	-	2,229
		Requested Dollars	\$22,512,771	\$239,814,507	-	-	\$262,327,278
		Avg. Days Outstanding	396	396	-	-	396
Reviewed	2023	Reviewed Apps.	-	837	-	-	837
		Reviewed Dollars	-	\$8,227,809	-	-	\$8,227,809
		Reviewed Apps.	-	4	1,787	376	2,167
2022	Reviewed Dollars	-	\$1,200	\$216,577,021	\$16,982,769	\$233,560,990	

Appendix A: RHC Program Metrics (Continued)

RHC Telecom Post-Commitment (Data as of June 20, 2023)

Calendar Year			Q1	Q2	Q3	Q4	Total
Submitted	2023	Invoice Counts	171	132	1	-	304
		Invoice Dollars	\$160,610,766	\$158,956,219	\$3,177,823	-	\$164,164,085
		Invoice Counts	310	133	397	251	1,091
	2022	Invoice Dollars	\$171,703,036	\$171,835,156	\$187,381,326	\$161,519,219	\$359,175,667
Disbursed	2023	Invoice Counts	171	105	-	-	276
		Invoice Dollars	\$159,989,662	\$158,289,417	-	-	\$163,328,920
		Invoice Counts	310	133	397	251	1,091
	2022	Invoice Dollars	\$171,680,949	\$171,835,156	\$187,261,576	\$160,890,186	\$358,524,548



**Universal Service
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