



Federal Communications Commission  
Washington, D.C. 20554

June 21, 2011

D. Scott Barash  
Acting Chief Executive Officer  
Universal Service Administrative Company  
2000 L St., N.W., Suite 200  
Washington, DC 20036

DA 11-1082

Dear Mr. Barash:

Last month, the Federal Communications Commission's Office of the Managing Director directed USAC to begin conducting in-depth data validations (IDVs) targeted at uncovering duplicative claims for Lifeline support. The Commission asked USAC to conduct state-specific IDVs after USAC audits undertaken in the course of ongoing oversight over the Low Income Program revealed that multiple eligible telecommunications carriers (ETCs) are seeking reimbursement for Lifeline service provided to the same individual, and in some instances, to more than one individual living in the same residence.<sup>1</sup> This letter provides guidance to USAC on the process it should follow in identifying and resolving duplicative Lifeline claims found through IDVs conducted in specific states or at any other time USAC becomes aware of duplicative claims for Lifeline support.<sup>2</sup>

The Commission is committed to protecting the fund against waste, fraud, and abuse,<sup>3</sup> and USAC, as the administrator of the Low Income Program, is required to establish procedures to verify that appropriate levels of support are provided.<sup>4</sup> Commission orders and rules do not currently specify a process for ETCs and USAC to follow, however, when they learn that a subscriber is receiving duplicative Lifeline services. To address the problem of wasteful, duplicative Lifeline support, the Commission issued an order today adopting rules aimed at ensuring that qualifying low income consumers receive no more than a single Lifeline benefit.<sup>5</sup> The order also directs the Wireline Competition Bureau to work with USAC to implement a process to resolve duplicative claims

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<sup>1</sup> See *Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up*; WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45, 26 FCC Rcd 2770, 2787, para. 48 n.79 (2011) (*2011 Lifeline and Link Up NPRM*).

<sup>2</sup> This letter and accompanying process replaces the guidance letter previously sent to USAC on January 21, 2011. See Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, Federal Communications Commission, to Richard Belden, Chief Operating Officer, Universal Service Administrative Company (USAC), WC Docket No. 03-109, DA 11-110 (Wireline Comp. Bur. Jan. 21, 2011).

<sup>3</sup> See generally *2011 Lifeline and Link Up NPRM*.

<sup>4</sup> 47 C.F.R. § 54.707.

<sup>5</sup> *Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up*; WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45, Order, FCC 11-97 (rel. June 21, 2011) (*2011 Lifeline Duplicative Program Payments Order*).

identified through the IDV process. This duplicate resolution process is not intended to be a permanent solution, but rather an interim one that will be in place while the Commission considers broader reforms to the Lifeline / Link Up program.

On April 15, 2011, a group of ETCs—AT&T, CenturyLink, Cox Communications, Inc., General Communications, Inc., Nexus Communications, Inc., Sprint Nextel Corp., TracFone Wireless, Inc. and Verizon Communications, Inc.—and their trade associations—United States Telecom Association and CTIA-The Wireless Association—submitted a proposal for an interim Lifeline duplicate resolution process to the Commission (“Industry Duplicate Resolution Process”).<sup>6</sup> The process was developed at in response to ETC concerns that WCB’s previous guidance to USAC on duplicate resolution raised operational issues and could cause confusion.<sup>7</sup> The aforementioned ETCs have voluntarily agreed to work with USAC to implement the process outlined below, which is “designed to reduce the number of individual qualified Lifeline subscribers who are simultaneously receiving Lifeline-supported service from multiple ETCs, while still providing low-income consumers with the opportunity to choose their provider of Lifeline-supported service.”<sup>8</sup>

Within 5 business days, USAC should begin coordinating with the ETCs involved in the IDVs being conducted in specific states to implement the process set forth below. If an ETC declines to participate in the process set forth below, USAC should direct that ETC to resolve the duplicative claim within 40 days by coordinating with the other ETC involved in the duplicative claim and submitting the results of their coordination efforts to USAC. The ETCs involved must give the subscriber at least 30 days to select a single provider.<sup>9</sup> In the event that both ETCs involved in a duplicative claim decline to participate in the duplicate resolution process or fail to resolve the duplicative claim on their own within 40 days, USAC shall reduce future monthly payments to each ETC by an amount equal to the number of duplicate subscribers and refer the matter to the Commission for resolution.

#### *Administration of Duplicate Resolution Process*

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<sup>6</sup> See Letter from United States Telecom Association, et. al. to Marlene Dortch, Secretary, Federal Communications Commission, Ex Parte, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109 (filed Apr. 15, 2011) (*Industry Duplicate Resolution Process*); Letter from John T. Nakahata, Counsel, General Communications, Inc. to Marlene Dortch, Secretary, Federal Communications Commission, Ex Parte, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109 (filed Apr. 26, 2011) (correcting initial filing).

<sup>7</sup> See Letter from United States Telecom Association, et. al. to Marlene Dortch, Secretary, Federal Communications Commission, Ex Parte, WC Docket No. 03-109 (filed Feb. 15, 2011) (ETC February 15 Ex Parte Letter).

<sup>8</sup> See *Industry Duplicate Resolution Process*, at 2.

<sup>9</sup> See *2011 Lifeline Duplicative Program Payments Order*.

As noted above, USAC is requesting up-to-date subscriber lists from the ETCs identified by the Commission as part of the IDVs conducted in specific states.<sup>10</sup> USAC shall analyze these subscriber lists on a timely basis, and compile two lists within 30 days of receipt of the subscriber lists from all of the identified ETCs. The first list (“Track 1”) shall be comprised of potential duplicates where the same individual at the same address receives two or more Lifeline supported services from two ETCs. The second list (“Track 2”) shall be comprised of potential duplicates where separate individuals at the same address each receive Lifeline supported services. That list will be divided into two categories: Track 2-A will contain names of the multiple individuals at the same address who receive Lifeline benefits from the same provider, while Track 2-B will contain names of the multiple individuals at the same address who receive Lifeline benefits from different providers.

Until the Commission directs USAC to develop a more permanent duplicate resolution process, USAC should implement the following duplicate resolution process:

1. Track 1 – Same individual, same address, two or more service providers

a) USAC shall give each ETC its Track 1 list of individual subscribers believed to be receiving duplicative Lifeline benefits. To the extent that USAC uncovers bad data in the ETC’s subscriber list (e.g., addresses that cannot be validated or incomplete subscriber names), USAC shall provide such data to the ETC to validate. ETCs may, at their option, provide to USAC additional identifying information, eliminate non-subscribers, or make other corrections. If the ETC does not provide any corrections to USAC’s Track 1 list or bad data list within five business days of USAC providing the list to the ETC, then the list will be presumed to be correct. If corrections are made, USAC shall re-run the new data and create a new Track 1 list, which will serve as the final Track 1 list.

b) USAC shall identify a tentative “default ETC” for each subscriber from among the two (or more) carriers to which that individual is currently subscribed, in such a way that the Track 1 subscribers are randomly allocated. This methodology will result in USAC randomly assigning customers to ETCs in such a way as to proportionately distribute those customers among potential ETCs; for example, USAC will name each provider involved in duplicate resolutions where two ETCs provide service as the presumptive default ETC for 50% of that provider’s subscribers identified as having two Lifeline providers.<sup>11</sup> Within 5 days of making this allocation, USAC is directed to prepare and submit a file(s) that shows the random allocation for each subscriber, and share it, pursuant to a confidentiality agreement, with the third-party vendor retained by the ETCs to track the subscriber’s selection of a single Lifeline provider as set forth below.<sup>12</sup>

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<sup>10</sup> This information is necessary to identify recipients of duplicative Lifeline claims and is consistent with Section 222(d) of the Communications Act. 47 U.S.C. § 222(d).

<sup>11</sup> In the case of a subscriber receiving Lifeline from three or more ETCs, USAC should randomly assign an equal proportion of those subscribers to each provider.

<sup>12</sup> The Commission does not intend to request this data from USAC.

USAC is directed to provide such information to the third-party vendor until all phases of the IDVs are complete.

c) As soon as possible thereafter, USAC shall send a letter<sup>13</sup> to all affected subscribers, notifying them that they must choose between the duplicative Lifeline providers or, on a going-forward basis, they will receive Lifeline-supported service only from the provider identified in their letter as their default ETC. The letter shall inform subscribers that they have 35 days from the date listed on the letter to contact a toll-free number to select their Lifeline provider. This notification letter must include a consumer-appropriate explanation of: i) the Lifeline program requirements; ii) why the proposed allocation action is necessary to ensure compliance with our rules; iii) what changes the subscriber can expect to see or actions he/she needs to take when he/she is moved to a single Lifeline provider, such as information on how to contact the carrier that will not be the Lifeline provider going forward to obtain information about changes in the rate for the service going forward or on disconnecting the service altogether, if the subscriber chooses to do so; and iv) a toll-free number to call with questions.<sup>14</sup> The notification will make clear that subscriber must contact a toll-free number within 35 days from the date listed on the letter if they want to continue to receive Lifeline supported services from any provider other than the presumptive default ETC. USAC or the Commission staff will consult with the ETCs prior to the issuance of these notifications to ensure that the correspondence with the subscriber includes the information necessary to avoid confusion. Ten days after issuance of the letter to the subscriber, USAC shall send a colored postcard to the subscriber reminding them to make a selection by calling the toll-free number. The ETCs will assist with the provision of the customer service and response mechanisms, including automated calls to subscribers who have failed to make a selection within 30 days.<sup>15</sup>

d) After the 35-day period has expired, the third-party vendor receiving the subscriber responses will update the original allocation list to reflect subscriber-generated provider selections and will provide that revised list to USAC. USAC will then notify each provider of the names of subscribers who must be de-enrolled from Lifeline (*i.e.*, any subscribers that have not selected that provider or for which that provider is not the default ETC). If a Lifeline subscriber does not call the toll-free number to choose a provider, the presumptive original allocation will automatically become effective, and on a going forward basis, the subscriber will receive Lifeline-supported service only from that provider.

## 2. Track 2 Lists - Different individuals, same address

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<sup>13</sup> USAC is hereby directed to provide Commission staff the opportunity to review a template of this letter before any letters are sent to consumers.

<sup>14</sup> The ETCs will contract with a third party to administer this toll-free number.

<sup>15</sup> See Letter from AT&T, CenturyLink, and Verizon, to Marlene Dortch, Secretary, Federal Communications Commission, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109 (filed June 15, 2011) (noting that the ETCs support their third party vendor contacting duplicative subscribers by phone to remind them to make a selection of a single Lifeline provider).

a) Within 10 business days of completing the IDV, USAC will give each affected provider two Track 2 lists of subscribers: The 2-A lists shall list separate individuals at the same address who receive Lifeline supported services from the same provider; the 2-B lists shall list separate individuals at the same address who receive Lifeline supported services from different providers.

b) Each service provider shall analyze the lists to determine whether other information in its possession (*e.g.*, more granular address information from billing systems or network provisioning data) either validates or refutes the existence of duplicative services. The provider will provide USAC with any corrections and the results of its analysis within 10 business days.

c) Within ten days of receiving corrections from the ETCs, USAC will, if necessary, re-compare the Track 2-B lists and generate updated lists of duplicates with inter-provider address matches. USAC will then report the summary results of this analysis to the Wireline Competition Bureau.<sup>16</sup>

All ETCs will continue to provide Lifeline-supported service to both Track 1 and Track 2 subscribers until notified by USAC, pursuant to section 54.405 of the Commission's rules, as amended, to de-enroll certain subscribers, and shall be reimbursed for the Lifeline benefits provided to subscribers up until the date of de-enrollment, subject to normal adjustments, recoveries for bad, uncorrected data and intra-company duplicates (same name, same address within one ETC's records), and other reporting requirements. USAC shall recover support for any subscriber for which subscriber data cannot be substantiated by the ETC and intra-company duplicative subscribers (same name, same address within one ETC's records).

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<sup>16</sup> As part of the process of designating certain non-facilities-based wireless carriers as ETCs for the purpose of receiving Lifeline support, the Commission directed those carriers to establish safeguards to prevent consumers from receiving Lifeline service from multiple ETCs. *See Federal-State Joint Board on Universal Service; Telecommunications Carriers Eligible for Universal Service Support; i-wireless Petition for Forbearance*, CC Docket No. 96-45, WC Docket No. 09-197, Order, 25 FCC Rcd 8784, 8790, para. 16 (2010); *Telecommunications Carriers Eligible for Universal Service Support; Virgin Mobile USA, L.P. Petitions for Designation as an Eligible Telecommunications Carrier in the States of Alabama, Connecticut, District of Columbia, Delaware, New Hampshire*, Order, 25 FCC Rcd 17797, 17805, para. 24 (2010); *Virgin Mobile USA, L.P. Petition for Forbearance*, CC Docket No. 96-45, Order, 24 FCC Rcd 3381, 3386-87, para. 12 (2009); *Federal-State Joint Board on Universal Service; Petition of TracFone Wireless, Inc. for Forbearance*, CC Docket No. 96-45, Order, 20 FCC Rcd 15095, 15103-04, para. 18 (2005). We note that the ETCs designated in those orders are still required to adhere to any requirements provided therein. *See Virgin Mobile Forbearance Order*, 24 FCC Rcd at 3397, para. 43; *Virgin Mobile 2010 ETC Designation Order*, 25 FCC Rcd at 17807, para. 32; *Federal-State Joint Board on Universal Service; TracFone Wireless, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the State of New York et al.*, CC Docket No. 96-45, Order, 23 FCC Rcd 6206, 6216, para. 24 (2008).

If you have any questions regarding this letter, please do not hesitate to contact me at 202-418-1500.

Sincerely,

Sharon E. Gillett  
Chief  
Wireline Competition Bureau