



PUBLIC NOTICE

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**THE WIRELINE COMPETITION BUREAU AND
THE OFFICE OF THE MANAGING DIRECTOR PROVIDE COLLECTION
INSTRUCTIONS TO USAC FOR THE HEALTHCARE CONNECT FUND**

WC Docket No. 02-60

In this Public Notice, the Wireline Competition Bureau (Bureau) and the Office of the Managing Director (OMD) of the Federal Communications Commission (Commission) provide instructions to the Universal Service Administrative Company (USAC) regarding collections for the new Healthcare Connect Fund, pursuant to the Commission's directives in the December 2012 *Healthcare Connect Fund Order*.¹ The Bureau and OMD also instruct USAC not to consider excess collections for rural health care support when making its overall universal service fund (USF) demand projections.²

Background. The Commission's Rural Health Care Program (RHC Program) is made up of four separate programs: the Telecommunications Program, the Internet Access Program, the Pilot Program, and the Healthcare Connect Fund. The Telecommunications Program ensures that eligible rural health care providers (HCPs) pay no more than their urban counterparts for their telecommunications needs in the provision of health care services.³ The Internet Access Program provides a 25 percent discount off the cost of monthly Internet access for eligible HCPs.⁴ The Pilot Program provides support for 85 percent of

¹ *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Report and Order, 27 FCC Rcd 16678, 16832, para. 368 (2012) (*Healthcare Connect Fund Order*).

² See 47 C.F.R. §§ 54.709(a)(3), 54.709(b).

³ Section 254(h)(1)(A) of the Communications Act of 1934, which was enacted by the Telecommunications Act of 1996, directs that telecommunications providers provide telecommunications services that are necessary for the provision of health care services in rural areas at rates that are reasonably comparable to rates in urban areas. 47 U.S.C. § 254(h)(1)(A); see *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9093-9161, paras. 608-749; 47 C.F.R. Part 54, Subpart G.

⁴ 47 C.F.R. § 54.621; see *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 18 FCC Rcd 24546 (2003). A 50 percent subsidy (rather than 25 percent) is available for Internet access services for HCPs in states that are "entirely rural," that is, states in which every county meets the Commission's definition of rural. *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Second Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 19 FCC Rcd 24613, 24631 para. 38 (2004).

the eligible costs of broadband for telehealth networks that connect rural and urban HCPs in a state or region.⁵

In December 2012, the Commission created the Healthcare Connect Fund when it adopted and released the *Healthcare Connect Fund Order*. The Healthcare Connect Fund provides support for high-capacity broadband connectivity to eligible HCPs and encourages the formation of state and regional broadband HCP networks.⁶ Under the program, eligible HCPs applying individually or as part of a consortium can receive a 65 percent discount on all eligible expenses. All eligible applicants may request multi-year funding commitments under the program.⁷ In addition, consortium applicants may seek support for upfront charges, which may include support for service provider deployment of new or upgraded facilities or for HCP-constructed and owned network facilities.⁸ Healthcare Connect Fund support will be available to applicants starting on July 1, 2013.⁹

Each quarter, pursuant to section 54.709(a)(3) of the Commission's rules, USAC submits to the Commission its demand projections for each of the Commission's universal service programs. USAC's projected demand for the RHC Program, which included just the Telecommunications and Internet Access programs, was \$87.10 million in 2010, \$96.84 million in 2011, and \$110.24 million in 2012.¹⁰ This year, for the first time, USAC must add support for the Healthcare Connect Fund to its demand projection for the RHC Program. Because Healthcare Connect is a new program, USAC cannot yet rely on historical demand to project future demand for the program.¹¹ In addition, multi-year funding commitments and support for upfront charges may make it difficult to forecast demand for the new program.¹² Recognizing these factors, the Commission instructed the Bureau in the *Healthcare Connect Fund Order* to work with OMD and USAC "to project the amounts to be collected for the USF for the early period of the new program, until such time as historical data provides an adequate basis for

⁵ See 47 U.S.C. § 254(h)(2)(A); *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 21 FCC Rcd 11111, para. 1 (2006); Report and Order, 22 FCC Rcd 20360, 20361, para. 2 (2007) (*2007 Pilot Program Selection Order*). The Pilot Program is closed to new applicants, and the last funding commitments under that program were issued in 2012.

⁶ *Healthcare Connect Fund Order*, 27 FCC Rcd at 16681, paras. 3-4.

⁷ See *id.* at 16681-82, paras. 4-5.

⁸ See *id.* at 16727-66, paras. 105-196. Neither multi-year funding commitments nor this kind of support for upfront payments are available under the Telecommunications or Internet Access programs.

⁹ See *id.* at 16818-20, paras. 353-55. Pilot projects were able to start the competitive bidding process on April 1, 2013, and will be eligible to receive funding starting on July 1, 2013. For new applicants -- either current Telecommunications or Internet Access Program participants or health care providers new to Commission programs -- the competitive bidding process will start in late summer 2013. New applicants will be eligible to receive funding starting on January 1, 2014. *Id.*

¹⁰ See USAC, Federal Universal Service Mechanism Fund Size Projections for Second Quarter 2013, WC Docket No. 02-60 (filed January 31, 2013) at 22-23. Currently, USAC's demand projections only include support for the Telecommunications and Internet Access programs; the Pilot Program is not included in USAC's demand projection, because funds for that program were previously collected, during funding years 2007-2009. See *2007 Pilot Program Selection Order*, 22 FCC Rcd at 20372-73, paras. 31-33.

¹¹ See *Healthcare Connect Fund Order*, 27 FCC Rcd at 16823, para. 368.

¹² *Id.*

projecting demand.”¹³ The Commission also directed USAC to utilize any unused Pilot Program funds for “demand associated with the Healthcare Connect Fund.”¹⁴

Discussion. We anticipate that the demand for the new Healthcare Connect program could be cyclical and may vary from quarter to quarter, due largely to the fact that the new program includes support for multi-year funding commitments and upfront charges, and because Pilot projects will seek support through the Healthcare Connect Fund after they have exhausted their Pilot Program funding. To smooth out the impact on the contribution factor, we instruct USAC to collect a moderate and uniform amount each quarter for the Healthcare Connect Fund. Specifically, starting in the third quarter of 2013 and until further instruction from the Bureau or OMD, we instruct USAC to project demand of \$26 million each quarter to support the Healthcare Connect Fund.¹⁵ Based on the Commission’s experience with the Pilot Program, including the demand in that program, we believe \$26 million per quarter is the appropriate amount to project for demand.¹⁶ In addition, if actual collections exceed demand for any RHC Programs in a particular quarter, pursuant to section 54.709(b) of the Commission’s rules, we instruct USAC not to take those excess collections into consideration when projecting demand for the following quarter.¹⁷ Thus, until the Bureau or OMD instructs USAC otherwise, all excess collections remaining from the RHC Program shall be available for the RHC Program in future quarters. We anticipate that this will help ensure that sufficient funds are available for the Healthcare Connect Fund.

Over the next year, USAC will be collecting and evaluating data on actual demand for the Healthcare Connect Fund, on which it can base future demand projections for the program. Starting on July 1, 2014, one year after initiation of the Healthcare Connect Fund, and periodically thereafter, the Bureau and OMD will review the projected demand and work with USAC to determine whether USAC has sufficient historical data to enable it to project demand for the Healthcare Connect Fund. The Bureau and OMD will also review our decision to instruct USAC not to consider excess RHC Program collections in its demand projection for the following quarter.

Finally, we note that the Commission in the *Healthcare Connect Fund Order* instructed USAC to utilize any unused Pilot Program funds to support commitments made in the Healthcare Connect Fund.¹⁸ In the *2007 Pilot Program Selection Order*, the Commission instructed USAC to collect \$417 million

¹³ *Id.*

¹⁴ *See id.* at 16821-22, para. 363.

¹⁵ Pursuant to section 54.709(a)(3) of the Commission’s rules, as part of the process by which the Commission establishes the quarterly contribution factor, the Administrator (USAC) must provide the Commission each quarter with its projection of total demand and administrative expenses for the universal service support mechanism.

¹⁶ This estimate of projected demand is based on consideration of the following factors: the availability of multi-year funding commitments and upfront payments under the new program, the historic patterns of demand under the Pilot Program and the Telecommunications and Internet Access programs, the needs assessment the Commission conducted in the *Healthcare Connect Fund Order*, the transition of Pilot Program networks into the new program, and the possible participation in the Healthcare Connect Fund by HCPs that have not previously participated in any RHC program.

¹⁷ Section 54.709(b) requires the Administrator to carry forward any excess payments received in a quarter to the following quarter to make adjustments to the contribution factor. Section 54.709(b) also permits the Bureau to instruct the Administrator “to treat excess contributions in a manner other than as prescribed in [section 54.709(b)].” 47 C.F.R. § 54.709(b).

¹⁸ *See Healthcare Connect Fund Order*, 27 FCC Rcd at 16821-22, para. 363.

over the course of three years to support Pilot Program networks.¹⁹ However, because some Pilot projects withdrew or did not use the full amount of their awards, unused Pilot Program funds remain in the program.²⁰ Several Pilot projects sought additional funding by filing requests with the Commission to allocate unused Pilot Program funds to their networks.²¹ In the *Healthcare Connect Fund Order*, the Commission denied these requests citing, among other things, that the projects could seek additional funding through the new Healthcare Connect Fund.²² The Commission then instructed USAC to use any unused Pilot Program funds to support commitments made in the Healthcare Connect Fund.²³ Over time, this action should exhaust any remaining funds that were collected for, but not used in, the Pilot Program.

We expect these steps will be sufficient to project demand and collect funds for the Healthcare Connect Fund during the initial years of the program. However, to the extent that these forecasts may need to be revised in the future due to increases or decreases in demand or other circumstances, the Bureau and OMD will make such revised forecasts through a letter to USAC.

For further information, please contact Christianna Lewis Barnhart, Telecommunications Access Policy Division, Wireline Competition Bureau at 202-418-1372 or TTY (202) 418-0484.

¹⁹ *2007 Pilot Program Selection Order*, 22 FCC Rcd at 20372-73, paras. 31-33; *see supra* n.10.

²⁰ *See Healthcare Connect Fund Order*, 27 FCC Rcd at 16821, para. 362.

²¹ *Id.*

²² *Id.* at 16821-22, para. 363.

²³ *Id.*