

## Technical Appendix: Rural Health Care Support Program

The portion of the 1996 Telecommunications Act that covers universal service support for rural health care providers states that “[a] telecommunications carrier shall . . . provide telecommunications services . . . to any public or non-profit health care provider . . . at rates that are reasonably comparable to rates charged for similar services in urban areas in that state.”<sup>1</sup> The Commission’s universal service rules permit eligible health care providers to receive support for any telecommunications service.<sup>2,3</sup> Additionally, the 1996 Act directs the Commission to establish competitively neutral rules – to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and nonprofit . . . health care providers.<sup>4</sup>

In December 2004, the Commission released a *Second Report and Order*<sup>5</sup> that modified the Commission’s rules for rural health care support. In this *Second Report and Order*, the Commission changed its definition of “rural” for the purposes of the rural health care support mechanism.<sup>6</sup> Now a “rural area” is an area that is not located within or near a large population base. Specifically, a “rural area” is an area that (a) is entirely outside of a Core Based Statistical Area (CBSA); (b) is within a CBSA that does not have any urban area with a population of 25,000 or greater; or (c) is in a CBSA that contains an urban area with a population of 25,000 or greater, but is within a specific census tract that itself does not contain any part of a place or urban area with a population of greater than 25,000.<sup>7</sup> This new definition was effective as of Funding Year 2005 (July 1, 2005 – June 30, 2006). Several other rules also were changed. The Commission expanded funding for mobile rural health care providers by subsidizing the difference between the rate for the satellite service and the rate for a functionally similar urban wireline service.<sup>8</sup> June 30 became the final deadline for applications for support for health care providers seeking discounts for a specific funding year under the rural health care support mechanism.<sup>9</sup> In addition, rural health care providers in states that are entirely rural were granted increased support for

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1 47 U.S.C. § 254(h)(1)(A).

2 47 C.F.R. § 54.601.

3 A 1.544 Mbps (T1) maximum bandwidth cap was employed in Funding Years 1 and 2. *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9101-04 (1997), paras. 620-624. The Commission removed the bandwidth cap for year three and beyond. *See Federal-State Joint Board on Universal Service*, CC Docket Nos. 97-21 and 96-45, Sixth Order on Reconsideration in CC Docket No. 97-21, Fifteenth Order on Reconsideration in CC Docket No. 96-45, 14 FCC Rcd 18756, 18767-72, paras. 17 – 24 (1999) (*Fifteenth Order on Reconsideration*).

4 47 U.S.C. § 254(h)(2)(A).

5 *See 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 (2004) (*Second Report and Order*).

6 *See Second Report and Order* at 24619-20, paras. 11-12.

7 47 C.F.R. § 54.5.

8 *See Second Report and Order* at 24626, para. 28.

9 *Id.* at 24629, para. 34.

advanced telecommunications and information services.<sup>10</sup> Also, in 2003 the Commission authorized a 25% discount on advanced telecommunications services for RHC providers.<sup>11</sup>

To receive funding under the Rural Health Care Program, an eligible rural health care provider seeking funding must first submit FCC Form 465 (description of services requested and certification form) to the Rural Health Care Division (RHCD) of the Universal Service Administrative Company (USAC).<sup>12</sup> If the RHCD determines that the health care provider is eligible, it posts the Form 465 on its website.<sup>13</sup> Twenty-eight days thereafter, the rural health care provider may contract with the most cost-effective bidder. The health care provider then fills out FCC Form 466 (Funding Request and Certification Form) and/or 466-A (Internet Service Funding Request and Certification Form), and submits it to the RHCD. Upon receipt and approval of FCC Form 466, the RHCD sends a Funding Commitment Letter to the rural health care provider. The letter explains that the request has received preliminary approval, and provides an estimate of the amount of support that can be expected. The rural health care provider must respond by submitting FCC Form 467 (receipt of service confirmation form) to verify that the service has begun. RHCD then sends a Support Schedule to the carrier and the health care provider. The carrier provides service to the rural health care provider, and then invoices the RHCD for the support amount. Upon approval of the invoice, USAC reimburses the carrier.

In September 2006, the FCC established the Rural Health Care Pilot Program to provide funding to stimulate deployment of the broadband infrastructure necessary to support innovative telehealth and telemedicine services to those areas of the country where the need for these benefits is most acute.<sup>14</sup> Specifically, the Pilot Program provides funding to support the design and construction of state or regional broadband networks dedicated to health care and the advanced services provided over those networks, as well as connecting those networks to Internet2, National LambdaRail, Inc. (both dedicated nationwide backbones), or the public Internet.<sup>15</sup>

On November 19, 2007, the Commission released the *Rural Health Care Pilot Program Selection Order*, which selected 69 applicants covering 42 states and three U.S. territories to participate in the Pilot

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10 *Id.* at 24631, para. 38.

11 *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, 24557-62, paras. 22 - 29 (2003).

12 The Rural Health Care Corporation merged into USAC and became the Rural Health Care Division on January 1, 1999. *See Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Federal-State Joint Board on Universal Service*, CC Docket Nos. 97-21 and 96-45, Third Report and Order in CC Docket No. 97-21 and Fourth Order on Reconsideration in CC Docket No. 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45, 13 FCC Rcd 25058, 25064-65, para. 12 (1998).

13 The forms may be viewed at <https://www.rhc.universalservice.org/serviceproviders/searchpostings/default.asp>.

14 *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 21 FCC Rcd 11111 (2006) (*Rural Health Care Pilot Program Order*).

15 *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 22 FCC Rcd 20360, 20361 (2007) (*Rural Health Care Pilot Program Selection Order*).

Program.<sup>16</sup> The *Rural Health Care Pilot Program Selection Order* makes available to these participants approximately \$139 million in rural health care support per funding year for three years, beginning with Funding Year 2007 of the existing Rural Health Care program.<sup>17</sup> The *Rural Health Care Pilot Program Selection Order* further provides instructions to selected participants concerning submission of FCC forms to the RHCD and on Pilot Program administration.<sup>18</sup>

By rule, the Commission has established a \$400 million per funding year cap for the rural health care mechanism.<sup>19</sup> For more information on the Universal Service Program for Rural Health Care providers, visit the RHCD website.<sup>20</sup>

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16 *Rural Health Care Pilot Program Selection Order*. Following mergers, there are now 61 projects in the Pilot Program. See <http://www.fcc.gov/encyclopedia/rural-health-care-pilot-program>.

17 See *RHCPP Selection Order* at 20372-73, paras. 32-33. USAC did not issue a Pilot Program funding commitment for the first funding year (Funding Year 2007 of the existing Rural Health Care program). Unused Pilot Program support, however, is carried over to the next Pilot Program funding year. See Letter from Dana Shaffer, FCC, to Scott Barash, USAC, CC Docket No. 02-60 (Jan. 17, 2008). USAC reported that it rolled forward the Funding Year 2007 demand estimate and commitment cap of \$139.26 million to Funding Year 2008, except for \$0.53 million, which was committed and invoiced for Funding Year 2007. Universal Service Administrative Company, *Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2009* at 21.

18 See *RHCPP Selection Order* at 20395-411, paras. 70-98.

19 47 C.F.R. § 54.623(a).

20 See *Rural Health Care* at <http://www.usac.org/rhc/>.