

# **Alaska Communications Increasing the Rural Health Care Funding Cap White Paper**

January 16, 2017

## **Idea in Brief**

The Federal Communications Commission's (FCC) Rural Health Care (RHC) Program budget has remained static for 20 years, despite inflation, technology innovation and increased demand for services. The FCC expects the demand may exceed the cap for the first time in 2017. We have an opportunity, now, to continue supporting rural health care and increase the RHC budget by reallocating unused funds from existing programs, without putting pressure on the overall fund size or contribution factor.

## **History**

The RHC Program, established in 1997, supports health care facilities in bringing world-class medical care to rural areas through increased connectivity. It provides up to \$400 million annually to rural health care providers to assist them with their needs for broadband and telecom services. It is administered through the USAC, which also administers the Schools and Libraries, Lifeline, and High Cost programs. USAC administers the flow of funds pursuant to the programs and policies established by the FCC. USAC is a not-for-profit corporation that administers almost \$10 billion annually.<sup>1</sup>

## **Rural Health Care Program Benefits**

The Rural Health Care Program has improved the quality and reduced the cost of healthcare in rural areas.<sup>2</sup> The program has stimulated regional broadband infrastructure critical for connecting rural consumers and health care providers (HCPs) with urban-based specialists. Now patients in rural areas can be seen for specialized care without delay or the need to travel long distances. It has allowed these patients to have continuity of care as their local providers can participate, refer to, and consult with, specialists hundreds of miles away to develop the most appropriate treatment plan. In a large, rural state like Alaska, initiatives to bridge the distance between patients and

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<sup>1</sup> [www.usac.org/about](http://www.usac.org/about) (accessed January 16, 2017)

<sup>2</sup> Order at para. 2.

specialists not only results in substantial cost savings, but also significantly improves the quality of care.

For example, Sitka Counseling and Prevention Services recently stated:

“The communities of Yakutat and Sitka have been significantly affected by the ability to provide Tele-Behavioral Health services. The small community of Yakutat can access eight master level Clinicians across the Vidyo system. The access to services continues to help and support a number of families. We welcome all clients and don’t place barriers to service, we help connect people to the services they need, weather those services are available within the agency or through referral.”<sup>3</sup>

According to Cross Road Health Ministries in Glennallen, Alaska:

“The RHC Program has enabled us to implement telecommunications that significantly improve healthcare services in the regions of rural Alaska we serve. In particular, our patients have benefited from us moving from film-based to digital diagnostic radiology services enabled by secure, private connectivity between our clinics and radiology vendor.”<sup>4</sup>

## **Funding Challenge**

The current \$400 million RHC Program budget remains at the initial level set in 1997. And, at the same time, demand for RHC funding is approaching the cap. The RHC Program has led to new broadband infrastructure, improved quality and reduced the cost of rural health care; these benefits have led to a surge in demand for funding.<sup>5</sup>

When the RHC reform Order was released in 2012, the total demand for RHC funding was less than half the \$400 million cap.<sup>6</sup> The Order stated that USAC did not anticipate the cap would become an issue. However, the projected program demand for the four

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<sup>3</sup> Zanusoski, Amy. Letter to The Honorable Senator Murkowski, The Honorable Senator Sullivan, The Honorable Congressman Young. 14 Nov., 2016.

<sup>4</sup> Medendrop, Joel. Letter to The Honorable Senator Murkowski, The Honorable Senator Sullivan, The Honorable Congressman Young. 7 Nov., 2016.

<sup>5</sup> Order at para. 5.

<sup>6</sup> See 47 CFR § 54.623(a).

quarters of 2016 is \$360.75 million.<sup>7</sup> This consistent rate of increase is an indication the \$400 million cap likely will be reached in 2017. Based on current rules, requests for RHC funding will be handled on a first-come, first-served basis; or, as has recently been proposed, prioritized based on funding windows.<sup>8</sup> Network technology and the benefits of telemedicine that were the basis for the \$400 million cap in 1997 bear little to no resemblance to the applications today with a modern broadband network.

The Commission has recognized that as prices rise over time, an inflation adjustment is necessary in order to keep pace with changing broadband requirements.<sup>9</sup> The fact that the RHC cap has not been increased in 20 years shows foresight in how the FCC anticipated long-term cost increases; it also distinguishes it from the Commission's other support programs. The Schools and Library fund cap was increased by \$1.65 billion in 2014 from \$2.25 to \$3.9 billion.<sup>10</sup> The Schools and Library fund was increased to ensure the e-rate fund had sufficient budget to meet its long-term needs and because the budget had not been increased since 1999.

Similarly, in 2016 the Commission established a cap on the Lifeline program of \$2.25 billion along with an inflation adjustment mechanism. The Commission described its Lifeline Reform as "another step" in its efforts to overhaul all USF programs to promote the availability of modern networks.<sup>11</sup>

### **Proposed Solution**

The Commission can increase the RHC budget by reallocating unused funds from existing programs, without putting pressure on the overall fund size or contribution factor. For example, the Commission announced this past June that \$1.9 billion more

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<sup>7</sup> Proposed 1st Quarter 2016 Universal Service Contribution Factor, Public Notice, Federal Communications Commission, DA 15-1412, Released December 11, 2015, Proposed 2nd Quarter 2016 Universal Service Contribution Factor, Public Notice, Federal Communications Commission, DA 16-266, Released March 10, 2016, Proposed 3rd Quarter 2016 Universal Service Contribution Factor, Public Notice, Federal Communications Commission, DA 16-658, Released June 14, 2016, Proposed 4<sup>th</sup> Quarter 2016 Universal Service Contribution Factor, Public Notice, Federal Communications Commission, DA 16-1024, Released September 12, 2016.

<sup>8</sup> Order at para. 365.

<sup>9</sup> Public Notice, Federal Communications Commission, DA 16-505, Released May 6, 2016.

<sup>10</sup> In the Matter of Modernizing the E-rate Program for Schools and Libraries, Second Report and Order and Order on Reconsideration, FCC 14-189, WC Docket No. 13-184, released December 19, 2014, at para. 77.

<sup>11</sup> Lifeline and Link Up Reform and Modernization et al., Report and Order and Further Notice of Proposed Rulemaking, WC Docket. Nos. 11-42 et al., FCC 12-11 (rel. Feb. 6, 2012) at para. 2.

was collected for the e-rate program than was disbursed.<sup>12</sup> Under the Commission's rules this amount was carried forward to the 2016 funding year. As a result, the total cap for e-rate was \$5.839 billion – almost three times the amount authorized in 2015. The Lifeline program disbursements are also well below the annual cap of \$2.25 billion – reaching \$1.495 billion in 2015. While the USAC authorized \$1.495 million in Lifeline support in 2015, it based its contribution factors on a projected amount of \$1.551 billion, resulting in a potential over-collection of \$106 million. This amount, as well as over-collections from previous years could be used to insure that worthy RHC applications are not denied due to funding limitations.

An increase in RHC funding may also be financed through the use of existing universal service reserve funds. The *Federal Universal Service Support Mechanisms Fund Size Projections for First Quarter 2017* released by USAC Nov. 2, 2016 shows that the High Cost Reserve Fund, consisting of contributions in excess of disbursements and expenses now exceeds \$2 billion.<sup>13</sup> The Commission has indicated that an annual amount of \$150 million from the reserve may be used to provide additional high cost support to Rate of Return carriers that elect the A-CAM model.

## **In Summary**

We have an opportunity, now, to continue supporting rural health care and increase the RHC budget. The FCC's Rural Health Care RHC Program budget has remained static for 20 years, despite inflation, technology innovation and increased demand for services. The FCC expects the demand may exceed the cap for the first time in 2017. The Commission can increase the RHC budget by reallocating unused funds from existing programs, without putting pressure on the overall fund size or contribution factor.

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<sup>12</sup> Public Notice, Federal Communications Commission, DA 16-629, Released June 8, 2016.

<sup>13</sup> See page 11 of

<http://www.usac.org/about/tools/fcc/filings/2017/q1/USAC%201Q2017%20Federal%20Universal%20Service%20Mechanism%20Quarterly%20Demand%20Filing.pdf>, (Fund Size Projections).