

5. Rural Health Care Support

The portion of universal service support designated for health care providers is designed to allow rural health care providers to purchase telecommunications services at the same rates that health care providers located in urban areas pay for these services.¹ The Commission's universal service rules permit eligible² health care providers to receive support for any telecommunications service employing a transmission speed up to 1.544 Mbps and for distance charges for the distance between the rural health care provider and the nearest large city.³ The Commission defined "nearest large city" as the closest city in the state with a population of at least 50,000.⁴ In addition, any health care provider that cannot obtain toll-free Internet access is entitled to receive the lesser of \$180 of toll charges per month, or the toll charges incurred for 30 hours per month, for telecommunications access to an Internet service provider.⁵ Universal service support allocated for rural health care providers is capped at \$400 million annually, but the total amount of support that can be collected for health care providers in funding year 1998 was limited to \$100 million.⁶

Eligible rural health care providers submit FCC Form 465 (description of services requested and certification form) to the Rural Health Care Division (RHCD).⁷ The RHCD then determines eligibility, and calculates the level of support the health care provider can receive, based on the distance between the rural health care provider and the nearest city with a population of at least 50,000. The RHCD then posts the Forms 465 on its Web site for 28 days, so that eligible service providers may bid for the projects.⁸ After at least 28 days, the rural health care provider may contract with the most cost-effective bidder.

Once the contract with a service provider is signed, the rural health care provider completes FCC Form 466 (services ordered and certification form) to RHCD. At the same time, the service provider completes FCC Form 468 and the attached calculation worksheet. This form and worksheet verifies the types and quantities of services ordered, calculates the telecommunication rates and the discount rate. Service providers submit FCC Forms 468 and the

¹ See 47 U.S.C. § 254(h)(1)(A).

² See 47 C.F.R. § 54.601(a).

³ See 47 C.F.R. § 54.601(c).

⁴ See 47 C.F.R. § 54.605(c).

⁵ See 47 C.F.R. § 54.621.

⁶ See 47 C.F.R. § 54.623(a).

⁷ Effective January 1, 1999, the Rural Health Care Corporation was merged into the Universal Service Administrative Company, and became the Rural Health Care Division. See *Eighth Order on Reconsideration*, adopted November 19, 1998, para. 12.

⁸ The forms may be viewed at <http://www.rhcfund.org>.

worksheets to the rural health care provider, which then submits the forms and calculation worksheet to RHCD.

Upon approval, the RHCD sends the rural health care provider a commitment letter. After the rural health care provider starts receiving the contracted services, it submits FCC Form 467 (receipt of service confirmation form). RHCD then sends the service provider a support schedule. The service provider then invoices RHCD for the support, and upon approval, RHCD instructs USAC to reimburse the provider.

The Rural Health Care Division began accepting applications on May 1, 1998. The Commission directed the RHCD to establish a filing window in which all requests for support received during that window would be treated as though they were received simultaneously.⁹ The RHCD established a 75-day window period that ended on July 14, 1998. Because there are more than sufficient funds available to support all qualified applicants that applied before July 14, 1998, RHCD continued to accept Forms 465 until May 15, 1999. Forms 466 and 468 must be received by September 30, 1999. RHCD began mailing funding commitment letters on June 25, 1999, and Forms 467 must be received no later than December 31, 1999. On March 1, 1999, the RHCD began accepting applications for the second funding period (which runs from July 1, 1999 to June 30, 2000).

As of April 14, 1999, 1,072 Forms 465 were received, and 442 Forms 466/468 packages were received. The following shows the distribution of types of applicants:

Non-profit Hospitals	43%
Rural Health Clinics	18%
Community Health Centers	8%
Local Health Departments	8%
Community Mental Health Centers	7%
Educational Institutions	2%
Consortia with Multiple Provider Types	14%

⁹ See 47 C.F.R. § 54.623(c).

The services in which health care providers indicated an interest are:

T-1	67%
Satellite	9%
Fractional T-1	19%
Centrex	9%
ISDN	34%
Private Line	22%
Frame Relay	29%
Off-site extension	15%
ATM	8%
Other	13%

(The services do not add to 100% because a provider can check multiple services on Form 465, including T-1, but support will be limited to T-1 or less.) About 15% of providers said they lacked toll-free Internet access and 28% said they had existing contracts for telehealth services.

In the *Universal Service Order*, the fund administrator was directed to collect \$100 million for the first funding period of the Rural Health Care mechanism.¹⁰ After reviewing over 200 of the 450 Form 466/468 applications, USAC estimates that no more than \$4.0 million will be necessary to fund the completed applications from inception through the third quarter of 1999 (including retroactive support prior to the posting date). Note that this amount represents the total estimated amount of support which will be payable in the third quarter of 1999 for the entire 1998 Funding Year ending June 30, 1999. In addition, based on first year demand and factors considered in the March report, the Rural Health Care Program projects program demand for Year 2 (July 1, 1999 to June 30, 2000) of \$2.0 million for the third quarter of 1999.

At the end of 1998, USAC had \$87 million in the Rural Health Care Fund, and had \$8.3 million in outstanding invoices. USAC transferred \$43.5 million to the Schools and Libraries Fund during the first quarter of 1999. The Rural Health Care Fund also earned \$1 million in interest in the first quarter of 1999. RHCD projects that it will disburse \$4 million in the first funding period commitments, \$2 million in second funding period commitments, and will have administrative expenses of \$1 million. As of March 31, 1999, USAC had \$53.5 million available for the Rural Health Program and projected the fund would earn interest of nearly \$1 million in interest for the second and third quarters of 1999.

Because Rural Health Care is overfunded, USAC recommended that no additional Rural Health Care funds be collected in the third quarter of 1999 and that \$46 million be refunded.

¹⁰ *Universal Service Order*, 12 FCC Rcd at 9145.

USAC recommended the \$46 million should be accomplished by transferring \$46 million to the Schools and Libraries Fund, and that the contribution factor for the Schools and Libraries mechanism be reduced accordingly. On May 27, 1999, the FCC adopted the *Twelfth Order on Reconsideration*, where it established a \$12 million commitment and collection level for the second funding year of the Rural Health Care Fund.¹¹

For more information on the Rural Health Care Division Fund, visit their Web site: <http://www.universalservice.org/rhc/rhcdesc.html>.

¹¹ *Twelfth Order on Reconsideration* in CC Docket 96-45, adopted May 27, 1999, released May 28, 1999, para 10.

Table 5.1

Rural Health Care Funding Commitments by State
Funding Commitments through July 2, 1999
First Funding Period

Name	City	State	Amount
Ashley County Medical Center	Crosseti	AR	\$562.99
Elaine Medical Clinic	Elaine	AR	562.99
Fulton county Hospital	Salem	AR	655.43
Holly Grove Community Health Center	Holly Grove	AR	562.99
Ozark Health	Clinton	AR	655.43
Eureka Springs Hospital	Eureka Springs	AZ	6,097.68
Amador County Health & Human Services Agency	Jackson	CA	4,975.11
Redwood Memorial Hospital	Fortuna	CA	2,275.06
St. Joseph Hospital	Eureka	CA	2,275.06
Steamboat Springs Healthcare Association	Steamboat Springs	CO	12,218.26
Hale Ho'ola Hamakua	Honokaa	HI	8,568.98
Hilo Medical Center	Hilo	HI	23,362.19
Kau Hospital	Pahala	HI	9,818.37
Kauai Veterans Memorial Hospital	Waimea	HI	25,724.17
Kohala Hospital	Kapaa	HI	5,648.35
Kona Community Hospital	Kealahkekua	HI	13,066.65
Kula Hospital	Kula	HI	573.33
Samuel Mahelona Memorial Hospital	Kapaa	HI	4,850.40
Community Hospital, Onaga/St. Mary's Inc.	Onaga	KS	6802.18
Geary Community Hospital	Junction City	KS	1,167.38
Morris County Hospital	Council Grove	KS	259.67
Prairie View	Marion	KS	610.66
Prairie View	McPherson	KS	614.42
Itasca Medical Center	Grand Rapids	MN	7,994.68
Minnesota Memorial Hospital, Inc.	Le Sueur	MN	7,183.62
Arcadia Valley Hospital	Pilot Knob	MO	10,726.78
Southeast Mississippi Rural Health Initiative, Inc.	Hattiesburg	MS	380.60
Southeast Mississippi Rural Health Initiative, Inc.	Hattiesburg	MS	103.80
Southeast Mississippi Rural Health Initiative, Inc.	Hattiesburg	MS	138.40
Southeast Mississippi Rural Health Initiative, Inc.	Hattiesburg	MS	242.20
East Carolina Health-Bertie dba Bertie Memorial	Windsor	NC	4,432.41
Harris Regional Hospital	Sylva	NC	6,376.69
Margaret R. Pardee Memorial Hospital	Hendersonville	NC	1,605.99
Callaway District Hospital	Callaway	NE	247.57
Cambridge Memorial Hospital	Cambridge	NE	958.06
Cozad Community Hospital	Cozad	NE	714.96

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Name	City	State	Amount
Dundy County Hospital	Benkelman	NE	2,067.21
Jennie M. Melham Memorial Medical Center	Broken Bow	NE	55.75
Rock County Hospital	Bassett	NE	1,976.05
St. Francis Medical Center	Grand Island	NE	4,457.86
Valley County Hospital	Ord	NE	161.27
Hitchcock Clinic - Keene	Keene	NH	2,836.94
Hitchcock Clinic - Lancaster	Lancaster	NH	71.04
Hitchcock Clinic - White Mountains	Plymouth	NH	380.44
PHS-Cimarron health Care clinic	Cimarron	NM	481.54
Wendover Clinic	West Wendover	NV	21,584.88
Hepburn Medical Center	Ogdensburg	NY	699.10
CMH Regional Health System, Family Practice Res.	Wilmington	OH	13,124.05
Konawa Community Health Center	Konawa	OK	9,377.68
Wheatland Mental Health Center	Enid	OK	1,245.81
Wheatland Mental Health Center	Kingfisher	OK	1,012.83
Blue Mountain Hospital	John Day	OR	5,159.31
Hamey District Hospital	Burns	OR	1,051.06
Mountain View Hospital	Madras	OR	136.01
Central Plains Center for MHMR and Substance Ab.	Plainview	TX	537.78
Milford Valley Memorial Hospital	Milford	UT	29,534.58
Concord Health Clinic	Concord	VT	736.38
Copley Hospital	Morrisville	VT	1,550.92
LCPHD #1 dba Odessa Memorial Hospital	Odessa	WA	820.12
Tri-State Memorial Hospital	Clarkston	WA	<u>1,513.64</u>
Total			<u>272,072.12</u>

Source: Universal Service Administrative Company