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November 6, 2017

By Electronic Filing

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Rural Health Care Support Mechanism*, WC Docket No. 02-60

Dear Ms. Dortch:

On November 2, 2017, Brian Evans and Colin Underwood of Alaska Communications, and I met with Jay Schwarz, Legal Advisor to Chairman Pai, to discuss the need for a stable, long-term solution to budgetary issues surrounding the Rural Health Care (“RHC”) universal service support mechanism.

We highlighted the severe and adverse impacts of the constraints imposed by the \$400 million annual budget for the RHC support mechanism, which has been in place for two decades and is inadequate to meet the current and growing needs of the program. Alaska Communications observed in the most recent Funding Year 2017 cycle that *pro rata* funding shortfalls caused rural health care providers (“HCPs”) to retreat to slower, less secure telecommunications services. Although these lower-performing options will impair the availability and quality of the telemedicine services that these HCPs can offer, causing harm to their communities, the HCPs see the choice as necessary in order to mitigate the risk of exposure to large, unquantifiable liabilities for the portion of the cost of rural telecommunications services that is no longer covered by the RHC support program.

Compounding the problem, many rural HCP customers have asked Alaska Communications to delay the start date of the services covered by their new contracts until *after* funding decisions are available from the Universal Service Administrative Company (“USAC”). For more than four months now, these HCPs have had to make do, either without the telecommunications service connectivity that they need to support their telemedicine services, or with inadequate, slower speed telecommunications services that should have been replaced by now.

We urged the Commission quickly to begin a proceeding to modernize the RHC program. Our discussion focused on three issues, as follows:

First, we urged the Commission to increase the RHC program budget to account for the expanded role of telemedicine in rural America. The need for RHC program support for the telecommunications services that enable modern telemedicine capabilities has grown dramatically in recent years. As a result, the Commission’s legacy \$400 million annual program

budget is inadequate to meet the nation's rural telemedicine needs today. Among other factors, demand has risen because:

- The pool of eligible applicants has grown to include skilled nursing facilities;
- More support is available under the Healthcare Connect Fund than was available under its predecessor, the Internet Access Program, both in terms of the portion of costs borne by the program and the range of eligible costs;
- Health care providers have expanded their use of cloud-based platforms to ensure privacy, security, and portability of electronic health records; and
- Advances in telehealth and telemedicine capabilities have increased rural standards of patient care and expanded the broadband telecommunications service needs of rural HCPs.

We therefore urged the Commission to provide immediate relief from the constraints of the RHC program's outdated \$400 million budget, so that the program may again enable, rather than hinder, the nation's telemedicine goals.

Second, we urged the Commission to work with USAC to mitigate the impact of the long-delays in issuing funding commitments for Funding Year 2017. Although more than one-third of Funding Year 2017 has passed, USAC has not yet issued any funding commitments. Many HCPs, unwilling to assume the risk that their funding requests will be denied or reduced below affordable levels, have postponed the start date of their supported services until after USAC funding commitment decisions become available. Yet, funding requests filed during the window that closed on June 30, 2017 invariably requested 12 months of funding, although it appears that such HCPs will now be eligible to receive substantially less. USAC calculations based on a full funding year of demand for all HCP applicants would overstate the actual need for support at this late date, and the associated *pro rata* support reductions would correspondingly be too large, placing even greater unnecessary burdens on rural HCPs that are already struggling to meet the needs of the communities they serve.

We urged the Commission, therefore, to direct USAC either (1) to provide a "true up" at the end of the funding year to distribute RHC program funds that went unused by HCP applicants that received less than a full year of service; or (2) to roll such unused funds forward to be used to support rural HCPs in Funding Year 2018, over and above the existing annual RHC program budget for that year, and without diverting those unused funds to reduce the future contribution factor.

Third, in response to a request from Dr. Schwarz for ideas to increase the efficiency of the RHC Telecommunications Program, we urged the Commission to amend Sections 54.609(d)(1) and (d)(3) of its rules, 47 C.F.R. §§ 54.609(d)(1) and (d)(3), to cap support based on the *lower of* the rural rate for terrestrial service, or for a functionally equivalent satellite service.¹ Currently, a rural HCP that chooses to purchase satellite telecommunications service in an area where alternative terrestrial services are available, receives support that is capped at the

¹ In the meeting, we mentioned previous *ex parte* filings by Alaska Communications on this subject, which are attached hereto as **Exhibits A and B**.

amount it would have received for the functionally similar terrestrial alternative.² But, the reverse is not true: RHC program rules do not place any limit on the support available for terrestrial telecommunications services based on satellite rates for functionally similar services.

Today, large areas of western Alaska are served by an unregulated monopoly provider of terrestrial broadband telecommunications services. Today, despite receiving substantial public funding through the American Recovery and Reinvestment Act's Broadband Initiatives Program ("BIP"), that provider's rates for terrestrial broadband telecommunications services remain several multiples above the price of functionally equivalent satellite services, in some cases *more than \$8,000 per Mbps per month*.³ Because the HCP pays only the urban terrestrial rate, the RHC program is burdened with virtually the entire unchecked cost.

Capping support for terrestrial telecommunications service based on the rate for functionally equivalent satellite service would serve the public interest. It would create a market-based competitive check on otherwise unregulated terrestrial monopoly telecommunications service rates in western Alaska. If terrestrial rates remain above their satellite counterparts, such a rule would also create efficient pricing incentives for HCPs to consume only the minimum terrestrial bandwidth necessary to meet their needs for low-latency performance, while using more economical satellite service for latency-insensitive applications, such as record storage and retrieval.

Please direct any questions regarding this matter to me.

Very truly yours,

Richard R. Cameron
for Alaska Communications

cc: Jay Schwarz
Trent Harkrader
Ryan Palmer
Radhika Karmarkar
Dana Bradford
Soumitra Das
Preston Wise

² See *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 03-288, 18 FCC Rcd 24546 (2003) ("*Rural Health Care Support Order*"), at ¶ 44.

³ See GCI, "TERRA Product Descriptions and Pricing," eff. July 1, 2017, at 4 (available at: https://www.gci.com/-/media/files/gci/regulatory/gci_terra_posting_effective_070117.pdf) (showing monthly recurring charges for quantities of 1-100 Mbps, with a one-year term commitment, of \$864 per 1 Mbps (Hub Port) and \$7,344 per 1 Mbps (Edge Port), *for a total of \$8,208 per month per 1 Mbps service*).

Exhibit A

Rural Health Care Support Mechanism, WC Docket No. 02-60, Notice of *Ex Parte* Communication
from Karen Brinkmann, Counsel for Alaska Communications (filed Sept. 24, 2012)

September 24, 2012

BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Rural Health Care Support Mechanism* – WC Docket No. 02-60
Notice of Ex Parte Communication

Dear Ms. Dortch:

On Thursday, September 20, 2012, Richard Cameron, Assistant Vice President and Senior Counsel of Alaska Communications Systems Group, Inc. (“ACS”), and I met with Linda Oliver, Beth McCarthy and Lindsey Bohl of the Wireline Competition Bureau (the “Bureau”) concerning the above-captioned proceeding.

ACS described the importance of the Rural Health Care support program to rural Alaska, and urged that the Rural Health Care (“RHC”) primary support mechanism be maintained while the Commission works to implement a program to cover broadband. In designing the proposed Broadband Services Program, ACS urged the Commission to make funding for infrastructure deployment available, if at all, only to service providers, which have the necessary expertise and resources to deploy, operate, and maintain telecommunications and broadband facilities.

Further, ACS explained that many areas of Alaska are dependent on satellite middle mile connectivity in many parts of Alaska. While terrestrial-based alternatives may be preferable, they are not available in all parts of Alaska. In some instances, the cost of leasing satellite transport is lower than the cost of leasing terrestrial fiber and microwave-based capacity; such has been the case in southwest Alaska in recent months. In order to limit the burden on RHC support mechanisms, ACS therefore suggested that the Commission consider amending Sections 54.609(d)(1) and (d)(3) of its rules, as well as any analogous rule that may be enacted under the broadband support mechanism, to cap support at the *lower of* the cost-based terrestrial rate or the satellite rate, where both are available at the start of a contract.

ACS also noted the necessity and benefits of longer-term contracts (especially for satellite capacity) and need for predictability in RHC support levels. If alternative service is not available when a contract is signed, funding at the agreed-upon rate should be made available for the full duration of the contract term; support should not be subject to reduction mid-way through the term of a contract merely because new capacity becomes available. Any efficiencies to be gained through an alternative service provider can be realized when the contract comes up for renewal or renegotiation.

Finally, ACS discussed its pending request for review of a USAC decision to withdraw RHC funding part-way through the contract term, for a satellite-based service being provided to the Cordova Community Medical Center. ACS seeks reinstatement of RHC funding at the full contracted rate, for the duration of the initial term of the contract.

The attached materials, providing additional details concerning these topics, were distributed in the meeting. ACS's advocacy also is reflected in the company's August 23, 2012 response to the Bureau's Public Notice seeking comment on the structure of a RHC Broadband Services Program.¹ Please direct any questions concerning this matter to me.

Very truly yours,

/s/

Karen Brinkmann
Counsel for ACS

Attachments

cc: Linda Oliver
Elizabeth Valinoti McCarthy
Lindsey Bohl

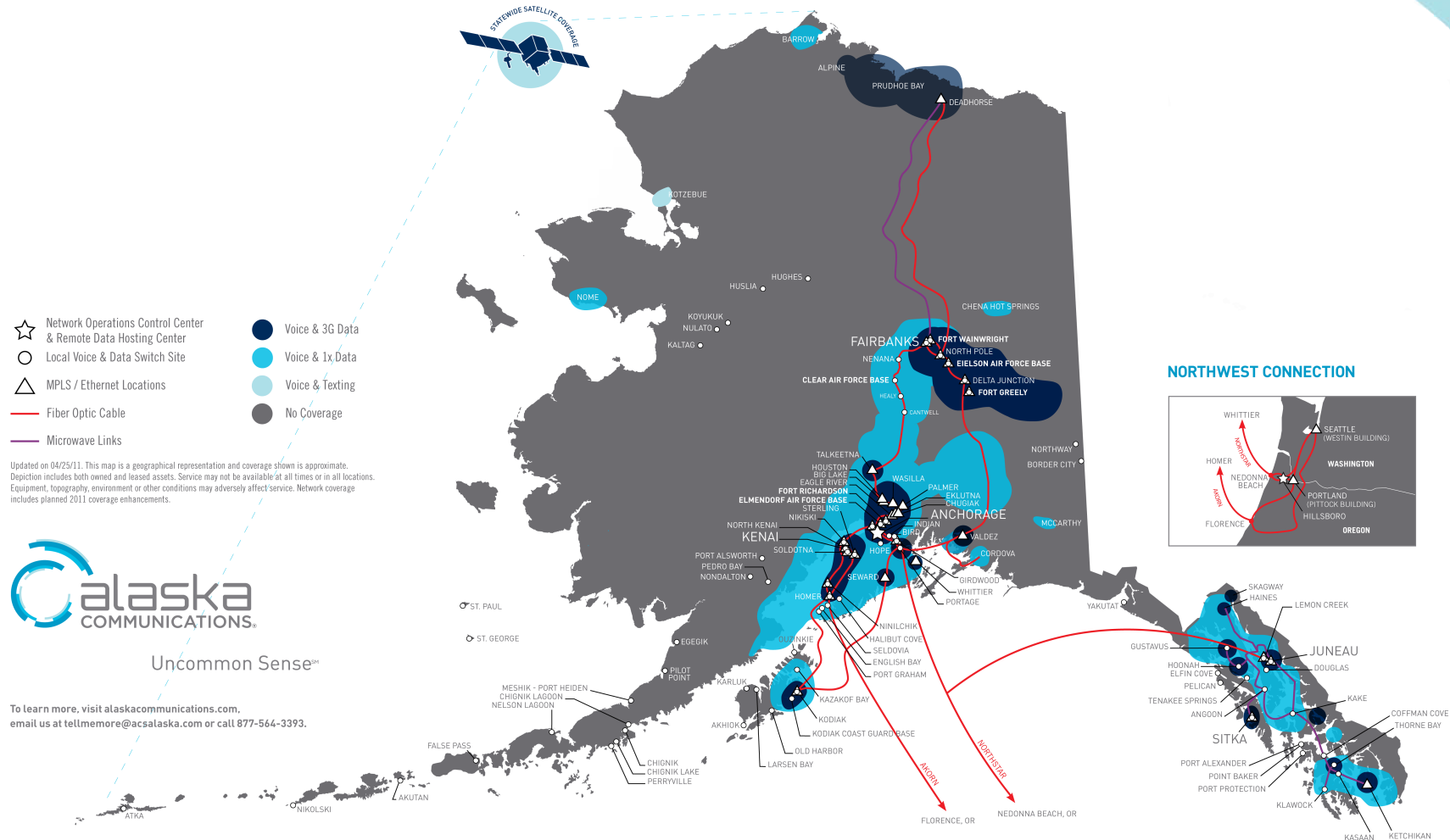
¹ *Wireline Competition Bureau Seeks Further Comment On Issues In the Rural Health Care Reform Proceeding*, Public Notice in WC Docket No. 02-60, DA 12-1166 (rel. July 19, 2012).

Alaska Communications Systems

September 2012



Alaska Communications Service Territory



Concerns Regarding Terra SW Network

- **No Reasonable Access to Federally-Funded Terra SW Facilities**
 - GCI constructed Terra SW using \$88 million in RUS Broadband Initiatives Program (“BIP”) Grant/Loan Award funds
 - BIP recipients must adhere to nondiscrimination and interconnection requirements set forth in program rules, including reasonable wholesale access
 - Terra SW provides the only terrestrial middle mile access to 65 communities in southwestern Alaska; the only alternative is via satellite
 - Despite the public subsidy, only small amounts of bandwidth are available to competitors at excessively high wholesale prices; by keeping prices high, GCI is able to foreclose market competition for its broadband services
- **GCI Is Seeking Inflated Recovery from Universal Service Mechanisms**
 - As a largely unregulated monopoly provider of terrestrial transport services, GCI can inflate prices for service to rural health care providers above those for satellite service and far above any reasonable cost-based prices
 - GCI thus can use support funded by its competitors’ USF contributions to expand its own monopoly transport network; in ex parte statements, GCI admits:
 - “Further deployment of modern wireless and broadband networks to additional currently unserved communities in rural Alaska . . . depends upon the provision of services to key anchor telemedicine and distance learning customers that are supported by the various programs of the Universal Service Fund as well as continued efforts to leverage this funding to secure other private funding sources.” (WC Docket No. 10-90, 7/30/2012)

ACS/Cordova Request for Review

- **USAC has withdrawn funding for Cordova Community Medical Center's satellite MPLS service under a 3-year evergreen contract with ACS**
 - When the contract was signed, there was no terrestrial service to Cordova, and USAC funded the difference between the satellite rate and the terrestrial urban rate
 - Terrestrial facilities became available while the contract's initial three-year term was underway, leading USAC immediately to withdraw funding
 - ACS and Cordova believe that funding for the full contracted rate should be available for the duration of the initial contract term
 - Abrupt withdrawal of funding will harm rural health care providers, service providers, and the RHC program alike
- **ACS recommends clarifications of the rule governing RHC funding for satellite services**
 - Clarify that, if terrestrial service is not available when a contract is signed, funding at the satellite rate will be available for the full initial contract term, even if terrestrial service subsequently becomes available
 - Clarify that, where terrestrial service is available, funding will capped based on the lower of the satellite rate or a reasonable cost-based terrestrial rate

RHC Broadband Program Implementation

- **The Commission should first do no harm to the primary telecommunications program**
 - The RHC program has been a tremendous success in Alaska, bringing modern standards of care to remote locations in the Alaskan bush
 - These services, costly whether delivered by satellite or terrestrial facilities, would otherwise be unaffordable to rural community health care providers and the
 - Support in Alaska disproportionately benefits historically underserved Native Alaskans and tribal locations
- **ACS supports implementation of the RHC broadband program**
 - As broadband become more prevalent, ACS supports the Commission's efforts to expand the RHC funding mechanism's support for these services
 - Funding should generally focus on delivery of broadband services, not infrastructure
 - Where the Commission provides support for broadband infrastructure, service providers should receive the support, and construct and own the resulting facilities

Exhibit B

Rural Health Care Support Mechanism, WC Docket No. 02-60, Notice of *Ex Parte* Communication
from Karen Brinkmann, Counsel for Alaska Communications (filed Sept. 24, 2013)

September 24, 2013

BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Rural Health Care Support Mechanism* – WC Docket No. 02-60
Notice of Ex Parte Communication

Dear Ms. Dortch:

On Friday, September 20, 2013, Colin Underwood of Alaska Communications Systems (“ACS”), Debra Morse of ACS, and I met with Linda Oliver and Chistianna Lewis Barnhart of the Wireline Competition Bureau concerning the above-captioned proceeding. The attached materials were distributed at the meeting, and summarize the substance of our discussion.

ACS described the importance of the Rural Health Care support program to rural Alaska and noted that the state recently received a grant under the Veterans Rural Tele-health Project. ACS discussed the importance to Alaska tele-health projects of continued access to discounted telecommunications connectivity *and* access to new equipment and services through the Health Care Connect Fund.

ACS also explained that many areas of Alaska are dependent on very costly satellite middle-mile connectivity. While terrestrial-based alternatives may be preferable for performance and reliability, they simply are not available in all parts of Alaska. Moreover, where terrestrial alternatives are available, they are not always offered at competitive rates. For example, in southwest Alaska, the Terra Southwest project received substantial federal funding, yet capacity is not made available to unaffiliated providers such as ACS on non-discriminatory terms; and to the extent it is offered, the wholesale price is *higher* than the price of satellite connectivity. In order to limit the burden on RHC support mechanisms, ACS suggests that the Commission consider amending Section 54.609(d)(1) of its rules to cap support at the *lower of a cost-based* terrestrial rate or the prevailing satellite rate.

Marlene H. Dortch, Secretary
Federal Communications Commission
September 24, 2013
Page 2 of 2

Please direct any questions concerning this matter to me.

Very truly yours,

/s/
Karen Brinkmann
Counsel for ACS

Attachments

cc: Linda Oliver
Chistianna Lewis Barnhart



Alaska - Healthcare Connect Fund



Contents

- I. Alaska is Different - Geographic Diversity
- II. Barriers Delivering Telemedicine

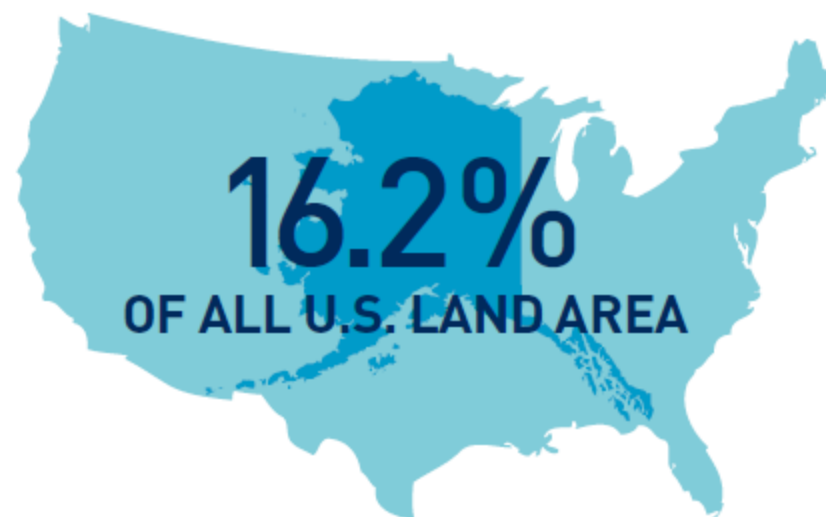
Alaska Healthcare Economics and Barriers

ALASKA IS DIFFERENT - GEOGRAPHIC DIVERSITY

Enormous spaces, sparsely populated

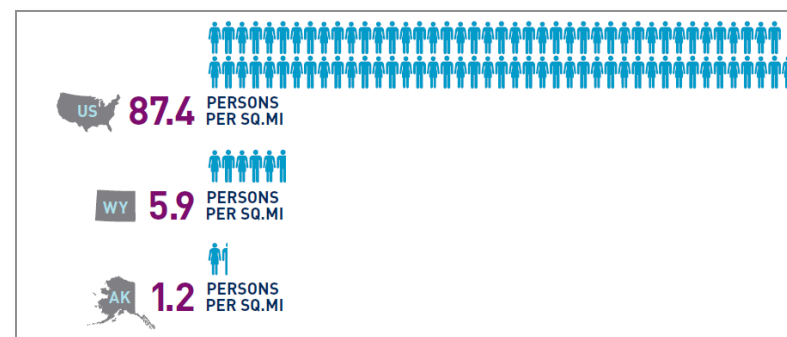
Geographically Vast

- 570,640 square miles of land represents 16.2% of all U.S. land area.
- 6,640 miles of coastline, more than 50% of the entire U.S.
- The state of Alaska is the largest state in the USA - more than twice as large as the next largest, Texas.
- Not only is Mt. McKinley the highest mountain in North America, but Alaska has 15 other peaks higher than any in the continental U.S.



A Dispersed People

- 2012 population of 731,449, less than 0.25% of the United States total population.
- Lowest population density of all states in the USA with 1.2 residents per square mile. The next closest is Wyoming with 5.85. The U.S. average is 87.4.

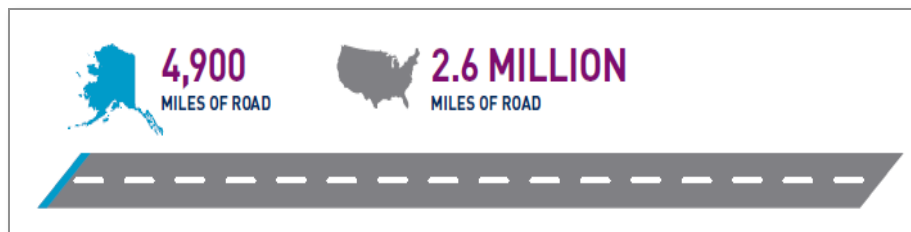


Alaska is a large state in many regards and small in many other ways.

Everything Costs More In Alaska

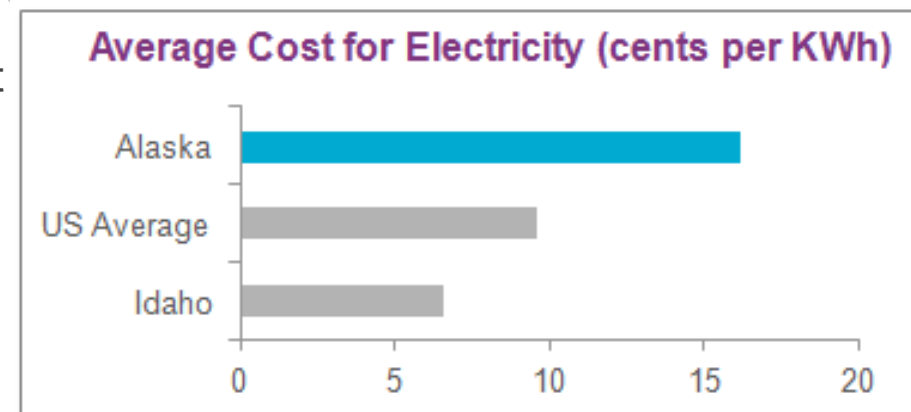
Transportation Challenges within the State

- Juneau is the only state capital not accessible by the road system.
- There are more than 139 communities in Alaska that are isolated from the public road system.
- Transporting people/patients is often limited to weather conditions
- Accessing some bush locations is limited to boat or float plane only



Cost of living is high and varies dramatically

- Energy costs are 40-50%+ higher than the national average, 125%+ higher than the least expensive state, Idaho.
- Energy costs in several rural communities can be 9 times national average



Alaska is Urban, Rural and Bush

- Alaska has Urban, Rural and Bush locations
- Central Anchorage, Fairbanks, and Juneau are our "urban" markets
- Rural communities are non-urban but typically connected by a road or other infrastructure, such as fiber optic cable
 - Examples: Kenai, Delta Junction, Sitka and Kodiak
- Bush is defined as geographically and infrastructure isolated from the rest of Alaska and the world – spread out over more than 1,000 miles
 - Most of these communities cannot be accessed by road
 - Most of these communities are off the power grid
 - Most of these communities have satellite, or possibly microwave communications links
 - Bush community populations range from less than 50 to about 1,000
- All of the locations in the Alaska Rural Veterans Telehealth Project are Bush

Sample 50 Bush communities in Alaska

Community	Population	Accessibility	Backhaul Type	Community	Population	Accessibility	Backhaul Type
Chignik Lake	69	Air	Satellite	Ivanoff Bay	30	Air, Water	Satellite
Hughes	78	Air	Satellite	Old Harbor	208	Air, Water	Satellite
Huslia	299	Air	Satellite	Ouzinkie	178	Air, Water	Satellite
Kaltag	205	Air	Satellite	Pedro Bay	47	Air, Water	Satellite
Port Heiden (Meshik)	101	Air	Satellite	Perryville	130	Air, Water	Satellite
Nikolski	16	Air	Satellite	Pilot Point	88	Air, Water	Satellite
Nulato	275	Air	Satellite	St. George	97	Air, Water	Satellite
Port Graham	171	Air	Satellite	St. Paul	479	Air, Water	Satellite
Port Alsworth	156	Air	Satellite	Thorne Bay	496	Float Plane	Microwave
Karluk	37	Air, Float Plane	Satellite	Point Baker	14	Float Plane	Microwave
Northway	76	Air, Road	Microwave	Alcan Border	24	Road	Satellite
Gustavus	460	Air, Water	Microwave	Kokhanok	179	Air, Water	Satellite
Hoonah	753	Air, Water	Microwave	Koyukuk	97	Air, Water	Satellite
Kake	579	Air, Water	Microwave	Larsen Bay	89	Air, Water	Satellite
Kasaan	66	Air, Water	Microwave	Nelson Lagoon	45	Air, Water	Satellite
Klawock	813	Air, Water	Microwave	Nondalton	164	Air, Water	Satellite
Seldovia	243	Air, Water	Microwave	Angoon	466	Water, Float Plane	Microwave
Yakutat	656	Air, Water	Microwave	Coffman Cove	170	Water, Float Plane	Microwave
Akhiok	82	Air, Water	Satellite	Elfin Cove	18	Water, Float Plane	Microwave
Atka	58	Air, Water	Satellite	Halibut Cove	77	Water, Float Plane	Microwave
Chignik	102	Air, Water	Satellite	Pelican	83	Water, Float Plane	Microwave
Chignik Lagoon	77	Air, Water	Satellite	Port Protection	53	Water, Float Plane	Microwave
Egegik	113	Air, Water	Satellite	Tenakee Springs	145	Water, Float Plane	Microwave
English Bay (Nanwalek)	276	Air, Water	Satellite	Akutan	1,040	Water, Float Plane	Satellite
False Pass	37	Air, Water	Satellite	Port Alexander	62	Water, Float Plane	Satellite

17 communities on terrestrial microwave networks, 33 on satellite

Alaska Healthcare Economics and Barriers

BARRIERS DELIVERING TELEMEDICINE

Cost of Transport

Average Satellite Costs

- **Average minimum for 1Mbps**
 - About \$2,600 for dedicated symmetrical bandwidth
 - About \$3,900 for a single T1 or 1.5 Mbps
 - Cost can fluctuate based on rural location and current availability
- **Average minimum cost for FCC minimum recommended bandwidth to a rural clinic**
 - 10Mbps x \$2,600 = \$26,000 per month
 - Best case as service is typically sold as T1's only
 - This is for a dedicated connection
 - Non-shared bandwidth
 - Symmetrical bandwidth (same up load and download speeds and capacity)
 - Only dedicated connections can truly support demands of healthcare applications
- **GCI's RUS-funded fiber/microwave Terra SW service is several times more expensive than satellite service**

Rural Health Center Costs

- Universal Service Administrative Company (USAC)

- Primary Program

- Rural Urban Difference
 - Service delivered over traditional T1s
 - Require 7 T1s for full 10 Mbps
 - 7 times \$198.30 = \$1,388.10 per month health center owes

- Healthcare Connect Fund

- 65% flat subsidy
- Average minimum \$39,000 per month total cost
 - \$13,650 per month health center owes

- Real World Example

- Alaska Healthcare Provider (HCP)
 - Purchased 9 Mbps transport and 6 Mbps Internet
 - Requires 6 T1's costing a total of \$1,189.80 (Urban rate, what the HCP pays)
 - Internet content at an average of \$50 per Mb - \$300, RHD cost \$75, HCP cost \$225
 - Total monthly HCP cost \$1,414.80

Alaska compared to the lower 48 states in creating Highly Reliable Telemedicine

- **Most health centers across the country have reliable networks**
 - More network infrastructure
 - Access to geographically diverse, redundant network paths
 - Increased competitions reducing cost of telecommunication services
 - Excellent road system for quick access for service repairs
 - Provides for the delivery of highly reliable telemedicine
- **Most health centers across Alaska have limited reliable networks**
 - Extremely limited infrastructure developed
 - Lack of redundant network paths
 - No secondary network paths
 - Geographic
 - Lack of population density
 - Economic sustainability
 - Limited competition (population, geographic locations) increases costs of telecommunication services
 - Lack of road system and limited access to communities (weather, geography, cost, forms of transportation)

Current State of RHC and HCF

- HCP's currently allowed to participate in Telecommunications Program and Healthcare Connect Fund (HCF) at the same time
 - Example: Telecommunications program for rural / urban difference, and HCF for better Internet discounts
- In Alaska the HCF goals are more difficult to obtain
 - Increase Access to Broadband for Health Care Providers, Particularly Those Serving Rural Areas
 - Foster Development and Deployment of Broadband Health Care Networks
 - Maximize Cost-Effectiveness of Program
 - Administrative efficiency and value of services delivered
- Barriers to Obtain These Goals in Alaska
 - 65% discount of Telecommunication Services would lead to much higher costs for HCP's in Alaska
 - HCP's must participate in both the Internet and Telecommunications parts of the HCF to take advantage of additional services, such as network management and equipment to build private networks.
 - HCP's in Alaska will continue to use the RHC program for Telecommunications service to receive discounts at the rural/urban difference, and therefore not be able to take full advantage and obtain the goals of the HCF

Our Ask

- Requested Support Change
 - Allowing the additional components of the HCF such as equipment and network management to be funded when HCP's participate in the RHC Telecommunications Program for transport and the HCF Program for Internet service would help resolve the high cost for these services in Alaska, and allow HCP's to obtain the goals laid out in the HCF.

The background is a solid dark blue. Overlaid on this are several concentric, semi-circular arcs in various shades of blue, ranging from a very light, almost white blue to a medium blue. These arcs are not complete circles but are segments that appear to be part of a larger circular design, possibly a stylized 'C' or a partial rainbow. The arcs are arranged in a way that they seem to be layered or overlapping, creating a sense of depth and movement. The text 'THANK YOU' is positioned on the left side of the image, in a white, sans-serif font.

THANK YOU