

ORIGINAL

DOCKET FILE COPY ORIGINAL

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

RECEIVED

APR 12 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Federal-State Joint Board on) **CC Docket No.**
Universal Service) **96-45**

**COMMENTS OF THE COUNCIL ON COMPETITIVENESS
ON THE NOTICE OF PROPOSED RULEMAKING
AND ORDER ESTABLISHING JOINT BOARD**

The Council on Competitiveness is pleased to provide these comments to the Federal Communications Commission regarding the proposed rulemaking on universal service, CC Docket No. 96-45.

The Council on Competitiveness is a non-profit, non-partisan organization of over 140 chief executives from business, academia and labor. We examine policies and regulations that our members believe are having a bottom-line impact on their ability to be competitive. Through a consensus building process, we then set a national action agenda for U.S. leadership in global markets, technological innovation, and education and training that will raise the standard of living of all Americans.

Our comments are divided into two areas. First, we provide several "findings" from a major study the Council recently released on the impact of the national information infrastructure on the health care market. Second, we provide a set of principles which should guide the FCC as it considers which services to support through the universal service program for rural health care providers.

**IMPORTANCE OF AN ADVANCED INFORMATION INFRASTRUCTURE TO
HEALTH CARE DELIVERY.**

Our comments reflect several "findings" from our recently released report "Highway to Health: Transforming Health Care in the Information Age." This report was the output of a one year effort to better understand the impact of the national information infrastructure on the health care market. The Council assembled a distinguished Advisory Committee of senior physicians and executives from health care delivery organizations, telecommunications companies, hardware and software manufacturers, medical equipment manufacturers, insurers, academia and labor. They explored the potential of the national information infrastructure to address two competing pressures facing our health care system today: the increasing need to control costs at a time when demand for health care services is rising.

No. of Copies rec'd 024
List ABCDE

The report looks at many aspects of the health care market, including systems integration challenges, the use of the NII to support collaborative medical research and education, and the use of new communications tools to help satisfy the public's appetite for more and more understandable health-related information. A key component of the report is an analysis of the use of telemedicine to provide care to patients who do not have ready access to it because of their location or circumstance, as well as the barriers preventing widespread adoption of this application and growth in this market. Three of the report's findings in particular are pertinent to the current Notice of Proposed Rulemaking.

1. NII tools and technologies offer the potential to significantly expand access to health care, improve its quality, and reduce its costs. Historically, what we are seeing today marks the second wave of telemedicine initiatives. From the late 1950s through the 1970s, several telemedicine applications were launched. But even though they were viewed by some as successful from both clinical and patient perspectives, the projects were terminated because of the elimination of government funding, the high cost of complex, technically immature systems, and/or their lack of widespread acceptance by and integration into the medical community. Other stifling factors were the lack of a robust communications infrastructure in some locales and high operational costs.

More than 20 years later, concerns over access to health care and its increasing cost are driving patients, practitioners, health care delivery organizations, payers, and employers to seek alternatives to traditional health care delivery methods. Emerging electronics and information-based tools, coupled with the expansion and increasing availability of telecommunications and cable television infrastructures, are spurring the market for new health care products and services. Health care providers and commercial entities are using the information infrastructure to deliver preventive information to patients to help them stay well longer, as well as to deliver targeted information to assist them in better managing current illnesses and diseases, thereby reducing the medical treatment they may need. The availability of clinical protocols and secure patient medical record information on-line should improve the quality and appropriateness of the care delivered by clinical professionals. Finally, telemedicine systems are being developed that could significantly expand access, improve the decision-making process of both patients and providers, and reduce health care costs.

2. Uncertainty about who will pay for emerging NII health care applications, products, and services is slowing their widespread commercial development in the U.S. For telemedicine to achieve its full market potential, it must be as easy to use and pay for as a telephone or automated teller machine. Unfortunately, installing the necessary infrastructure remains a high cost of entry in some situations, particularly in rural communities (some rural areas are still dependent on rotary-style telephones). The need for an updated telecommunications infrastructure in some locations will drive the pace of implementation. The cost for transmitting over the network may also be a barrier to implementing telemedicine applications, depending on the rate of use and transmission mode. For example new NII tools offer the promise of reducing health care costs by delivering health care services into the home, but it is unclear whether payers, health care delivery organizations or patients will absorb the cost of monitoring products and telecommunications costs. Many telemedicine efforts are currently

dependent on short-term government grants to support equipment costs as well as telecommunications costs. Recently passed federal legislation should both help incent cable companies, telephone companies, and wireless communication providers to make the needed investments and drive down communications costs over time as competition among telecommunications providers increases. However, while those who currently do not have access or enjoy only limited access to quality care may stand to benefit the most from telemedicine, they also may be the least able to pay for these services. As a result, without some form of payment-support mechanism, infrastructure providers may not consider telemedicine alone to be capable of delivering a sufficient return to justify their investment in the infrastructure upgrades required to support telemedicine applications.

3. There is no “silver bullet” policy or technology that will address or accelerate widespread adoption of telemedicine. The persistent push of market forces and the increasing availability of new technology are fundamentally reshaping the U.S. health care delivery system. The changes that are occurring and the concerns they are raising are complex and intertwined. While some technologies may hasten certain changes such as the development of new telemedicine applications, and some policies such as those being considered in this docket may provide incentives to adopt telemedicine, no single policy or technology can, by itself successfully address each of them. For example, in most statewide and regional systems, telecommunications providers must underwrite a significant portion of the day-to-day operational costs for telephone/cable/wireless transmission in order for these testbeds to proceed. However, a number of barriers such as interstate licensing restrictions and lack of reimbursement are also slowing the spread of telemedicine. That is not to imply that the issues being addressed in this rulemaking are not significant. It is important, though, to remember that many steps must be taken on many fronts to ensure that the benefits of telemedicine are made available to every American.

GENERAL PRINCIPLES FOR CONSIDERING WHICH SERVICES TO SUPPORT FOR RURAL HEALTH CARE DELIVERY.

Open entry and competition are the market based tools to encourage cost reductions and affordable service. The recently passed telecommunications legislation should accelerate competition and the introduction of new technologies, and the cost of serving all customers, including rural health care delivery organizations, should decline. These cost reductions are ultimately the key to continuing universal service in this new competitive environment. As the FCC proceeds with this rulemaking, it should consider the following principles so that any final rules do not inadvertently inhibit the market driven processes that will reduce the cost of service for all customers.

1. Maintaining U.S. competitiveness should be one of the benchmarks against which to measure whether an additional service should be designated for universal service support for rural health care providers. It is possible that including some increment of additional service for support may actually deter national competitiveness because it is too costly. The FCC should be sensitive to this delicate balance.

2. A mechanism must be developed so that no single infrastructure provider bears a disproportionate burden of providing any requisite subsidies.

3. Subsidies should support customers, no matter what mechanism is developed to deliver them. Various methods are available for allocating the subsidy to the customer, rather than to the infrastructure provider. These should be pursued.

4. Subsidized customers should be able to choose their infrastructure provider, ensuring that the universal service program is provider neutral. This will also incent providers to reduce costs in order to offer more competitive rates.

5. Infrastructure providers should have the option of using the most appropriate transmission medium, whether copper, cable, optical fiber or wireless, as well as the most efficient switches. Practitioners and health care delivery organizations are creating more patient-centered models of care to ensure that the most timely cost-effective treatment is delivered. Increasingly, that care will be delivered via telemedicine. The specific type of communications capability needed for telemedicine can vary significantly depending on the medical specialty. It is important that this program therefore remain technology neutral.

6. Policy makers should periodically review and reconsider which additional service should be designated for universal service support for rural health care providers. Telemedicine is a rapidly evolving field and the definition of services to be included for support may need to be updated from time to time. Some services may emerge which could be considered essential for supporting rural health care delivery and should reasonably be included as part of the universal service program. A periodic review will also ensure that decisions regarding which services to include for support are not driven by today's technology and do not out pace customer demand.