

**KELLEY DRYE & WARREN LLP**

A LIMITED LIABILITY PARTNERSHIP

**WASHINGTON HARBOUR, SUITE 400**

**3050 K STREET, NW**

**WASHINGTON, DC 20007**

(202) 342-8400

FACSIMILE

(202) 342-8451

www.kelleydrye.com

JOHN J. HEITMANN

EMAIL: jheitmann@kelleydrye.com

NEW YORK, NY  
LOS ANGELES, CA  
CHICAGO, IL  
STAMFORD, CT  
PARSIPPANY, NJ

BRUSSELS, BELGIUM

AFFILIATE OFFICE  
MUMBAI, INDIA

February 29, 2016

Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Notice of Lifeline Connects Coalition Oral Ex Parte Presentation;  
WC Docket Nos. 11-42, 09-197, 10-90**

Dear Ms. Dortch:

On February 25, 2016, Chuck Campbell and Alex Rodriguez of CGM, LLC and John Heitmann and Joshua Guyan of Kelley Drye & Warren LLP met on behalf of the Lifeline Connects Coalition (Coalition)<sup>1</sup> with Charles Eberle, Ryan Palmer and Jay Schwarz of the Wireline Competition Bureau (Bureau) to discuss the Lifeline program and the Second Further Notice of Proposed Rulemaking (FNPRM).<sup>2</sup>

During the meeting, the Coalition described in detail its proposal for a national Lifeline eligibility verification framework. The Commission should recognize the fact that the Lifeline program operates on 1.3 percent administrative costs and boasts an improper payment rate of 0.44 percent. A national third-party verifier solution must not materially compromise these successes. A hybrid approach that leverages a variety of trusted third-party verification solutions can

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<sup>1</sup> The members of the Lifeline Connects Coalition are i-wireless, LLC, Telrite Corporation, Blue Jay Wireless, LLC, and American Broadband & Telecommunications Company.

<sup>2</sup> See *Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund*, WC Docket Nos. 11-42, 09-197, 10-90, Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order, FCC 15-71 (rel. June 22, 2015) (Second FNPRM). In support of our positions, we provided the enclosed document “Proposed National Eligibility Verifier Framework” as an **Exhibit**.

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effectively address real and perceived waste, fraud and abuse, while keeping program administration costs low and accuracy of payments high.

Initially, where a state eligibility database is available, an additional third-party verifier is unnecessary (i.e., the state database serves as a third-party verifier). ETCs can check the state eligibility database in the same manner that they do now and the database makes the eligibility determination. However, state databases should meet the minimum standards proposed by the Coalition so that eligible consumers are not denied Lifeline service.<sup>3</sup> Where there is no state eligibility database and a verifier is necessary, the flexible approach should allow for options wherein:

- (1) eligible telecommunications carriers (ETCs) can enroll Lifeline customers as they do now with regular third-party auditing layered on to confirm applicants' eligibility (by checking the proof documentation);
- (2) ETCs can conduct enrollments as they do now and hire a USAC-certified trusted third party to confirm the eligibility documentation provided;<sup>4</sup> or
- (3) ETCs can hire a USAC-certified trusted third party to conduct the entire Lifeline enrollment.<sup>5</sup> The third option would likely be chosen by wireline providers or others that have not already built an enrollment infrastructure.

The members of the Coalition have already invested heavily in their Lifeline enrollment platform and would choose either the first or second option. Except in cases where use of a USAC-provided solution is mandated (e.g., the NLAD), ETCs would pay for the option they choose.

In the meeting, we further explained how the second option would work and how it is very similar to how the current process works in California. Wireless ETCs like the Coalition members currently undergo dozens of steps and checks in real-time when enrolling a Lifeline applicant. This includes capturing the applicant's demographic information, address verification, duplicate checks and capturing a picture of the applicant's proof of eligibility (e.g., SNAP card or Medicaid card). These ETCs then send all of this information to a real-time review queue where an ETC employee that is not paid on a commission basis, or a third party vendor, reviews all of the information collected, and makes a decision regarding eligibility for Lifeline service. Part of that review queue check is confirming that the proof of eligibility picture is legible, of acceptable type, and matches

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<sup>3</sup> The Coalition's proposed minimum service standards are included in the **Exhibit**.

<sup>4</sup> Multiple trusted third-party verifiers should be certified by USAC for this purpose so that competition exists and the verifiers can innovate in response to ETC, Lifeline applicant and program needs.

<sup>5</sup> This could be provided by a single-source (as long as ETCs are not forced to use it).

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the eligibility program checked off on the application, and confirming the name or date on the proof of eligibility if applicable.<sup>6</sup> This is the same confirmation of proof of eligibility performed by the California LifeLine Administrator during the California LifeLine enrollment process. The Coalition proposes that this proof of eligibility confirmation is the only part of the enrollment process that must be confirmed by a USAC-certified trusted third-party, and then ETCs can choose to have the verifier conduct any additional parts of the enrollment process that they choose. This approach allows ETCs and the Lifeline program to leverage the extensive existing enrollment infrastructure, but layer on a third-party verification.

Mr. Campbell and Mr. Rodriguez then described how the process would work within the existing framework of the National Lifeline Accountability Database (NLAD). As shown graphically in the Exhibit, the ETC would first collect all of the required information, including proof of eligibility and conduct the “verify” call to the NLAD to confirm that the applicant does not already have Lifeline service before proceeding with the application. The NLAD would create a Transaction ID to follow the application through to enrollment to protect the integrity of the data and the process. After the verify call, the ETC would send the applicant information (including proof of eligibility) to the third-party verifier, along with the Transaction ID. The third-party verifier would confirm the validity of the proof of eligibility, confirm eligibility to the NLAD by unlocking the Transaction ID and notify the ETC of the result of the verification. The ETC then would conduct the “enroll” call to the NLAD to enroll the subscriber using the unlocked Transaction ID.

Finally, we emphasized the importance of retaining fully subsidized “free” service plan options to the continued success of the Lifeline program. In its modernization efforts, the Commission should neither directly impose a minimum charge requirement (so-called “skin in the game”), nor indirectly impose a minimum charge through a quantitative minimum service standard which would effectively require ETCs to impose a charge on consumers.<sup>7</sup> While wireless Lifeline providers can make a number of plan options available, such as a data-only 2 GB option, any minimum requirement that such options be offered must not preclude service providers from offering voice-only and no-cost-to consumer options that better meet the particular needs of

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<sup>6</sup> In a state that has a Lifeline eligibility database that is not available by Application Programming Interface (API), the state database is also checked manually during the real-time review queue (e.g., by conducting a web-look up function if that is what the state has available).

<sup>7</sup> As the Coalition has stated in its previous communications with the Commission, if the Commission sees the need to set minimum service standards, those standards should focus on the quality, not the quantity, of Lifeline service. Specifically, the Commission could require wireless ETCs to provide 3G or above service rather than a minimum number of minutes, texts or megabytes per month. In this way, the Commission can set a service-level baseline without impinging on the ability of consumers to obtain the service that best meets their needs.

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individual consumers (as decided by them – not for them) while also serving the goal of affordable access.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically.

Respectfully submitted,



John J. Heitmann  
Joshua T. Guyan  
Jameson J. Dempsey  
Kelley Drye & Warren LLP  
3050 K Street, NW  
Suite 400  
Washington, DC 20007  
(202) 342-8400

*Counsel for Lifeline Connects Coalition*

Enclosure

cc: Charles Eberle  
Ryan Palmer  
Jay Schwarz

# **EXHIBIT**

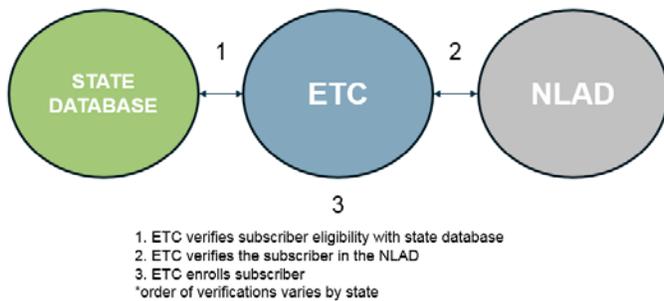
## Lifeline Connects Coalition Proposed National Eligibility Verifier Framework

In the Lifeline Second FNPRM, the FCC seeks comment on a proposal to establish a national eligibility verifier for Lifeline enrollments. Rather than adopt a single-source national verifier, the Commission should adopt Joint Commenters' proposed national third-party eligibility verifier framework, which would combat real and perceived waste, fraud and abuse; preserve real-time enrollment; and keep program costs low and effectiveness high by

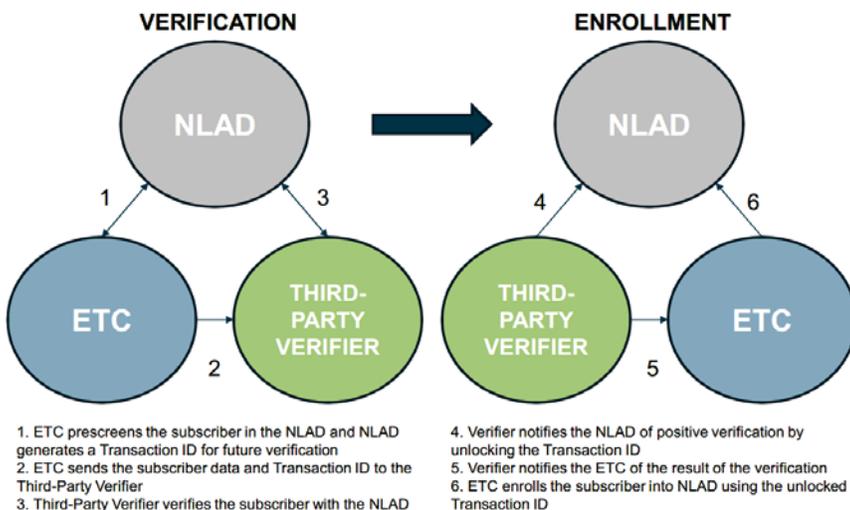
- ✓ **Leveraging existing state eligibility databases.** Where a state has already made a substantial investment in establishing an eligibility database, the Commission should rely on its requirement that ETCs verify an applicant through the state database.
- ✓ **Encouraging more state databases.** The Commission should encourage more states to develop eligibility verification databases by developing baseline standards akin to those it established for state duplicate databases (i.e., NLAD opt-out), as explained in more detail on the next page.
- ✓ **Filling the gaps with market-based solutions (i.e., multiple, USAC-certified third-party verifiers) and an à la carte USAC-provided option.** USAC should certify a minimum number of third-party verifiers to conduct subscriber eligibility verification, including several verifiers that utilizes a real-time verification option. The Commission should work with industry to establish standards that verifiers must meet to be eligible for certified third-party verifier status. To address incentive structure concerns, these verifiers should not have a direct financial interest in the outcome of individual verification determinations. Use of a certified third-party verifier should provide ETCs with a safe harbor for customer eligibility verifications. ETCs also should have the ability to seek certification and to conduct eligibility verifications, subject to robust third-party auditing. If the FCC ultimately mandates a single-source national verifier, the program—not ETCs—should bear the cost.

The following diagrams demonstrate how our third-party eligibility verification framework would operate in practice:

### SCENARIO 1: STATE ELIGIBILITY DATABASE EXISTS



### SCENARIO 2: NO STATE ELIGIBILITY DATABASE EXISTS



### BENEFITS OF THE FRAMEWORK:

- ✓ **Flexible.** Enables ETCs to choose the third-party verification option that works best with their existing business model, rather than mandating a costly one-size-fits-all solution.
- ✓ **Cost effective.** Leverages existing resources where available and competition between verifiers to avoid the significant expense of a single-source verifier, which could quadruple Lifeline program administration costs.
- ✓ **Accountable.** Uses USAC-certified verifiers and a secure “Transaction ID” for each enrollment to preserve data integrity by ensuring that the information the ETC provides to the NLAD matches the information the ETC provides to the verifier.
- ✓ **Innovative.** Drives innovation through market dynamics, including improved checks (e.g., real-time enrollment, mapping tools, or photo ID review).

**Under Scenario 1, all state databases should include the following at a minimum:**

- ✓ **Real-time API access.** Many ETCs engage in face-to-face Lifeline enrollments, which allow them to see the applicant, check photo ID and show approved applicants how to activate and use their wireless handsets. Without real-time API access, low-income consumers would be rendered second-class citizens, unable to obtain telecommunications service in real-time like non-low-income individuals are able to do.
- ✓ **Timely updates.** State databases should be updated in real-time or at the latest within 24 hours. The longer it takes for a database to be updated, the more likely it is that an eligible consumer could be denied Lifeline because they are not found in a database (despite being eligible).
- ✓ **A simple yes/no response and transaction ID without access to underlying data.** To protect consumer privacy, the state eligibility databases should only provide an ETC dipping the database with a yes/no response regarding the applicant's eligibility, along with a corresponding transaction ID.
- ✓ **A match based on last name, date of birth and last-four SSN (without address-related fields).** To avoid false negative responses from an eligibility database, state databases should only use those fields that rarely if ever change to identify applicant eligibility.
- ✓ **Efficient exceptions and dispute resolution processes.** State databases should be designed with an exceptions and dispute resolution process that is, wherever possible, handled electronically and in real time. One component of an effective dispute resolution process would permit consumers who are not found in the state eligibility database to provide proof of eligibility to the ETC, which the ETC could verify through a third-party eligibility verifier.
- ✓ **Access to transaction records for audit purposes.** Any state eligibility database should make available to the FCC or USAC transaction records for audit purposes. Any costs for such access should be borne by the program.

**At the same time, the FCC should adopt Joint Commenters' framework in Scenario 2 rather than a single-source national verifier because:**

- ✗ **A single-source verifier would be costlier than, duplicative of, and less efficient than existing state and private sector alternatives.** A number of states, ETCs, and third-party vendors already have made substantial investments in robust and effective verification tools. The Commission need not, and should not, expend additional program or ETC resources to duplicate these existing systems. The Lifeline program operates on 1.3% administrative costs and boasts an improper payment rate of 0.44%. We estimate that operating a single-source federal verifier could quadruple Lifeline annual administrative costs. Further, a single-source national verifier would require options that some ETCs do not need and therefore would not want to subsidize (e.g., real-time verification).
- ✗ **Single-source verifiers have failed to achieve acceptable recertification results, undermining ETC incentives to offer innovative services and equipment.** While many ETCs typically achieve recertification rates at or above 90%, USAC and state administrator recertification results have been unacceptably low (sometimes as low as 25%). These recertification rates result from the fact that administrators lack both the technical tools and the customer-carrier relationships that are necessary for a successful recertification campaign. In states that have mandated a single-source verifier, a majority of Lifeline subscribers are needlessly de-enrolled from the program each year based on ineffective recertification campaigns, undermining ETCs' incentives and ability to provide innovative service offerings and equipment. ETCs should always have the option to take the lead in recertifying their subscribers, with third-party verifiers providing an important oversight role.
- ✗ **A single-source verifier would be isolated from competitive pressure and would lack incentives to innovate.** A sole-source provider easily becomes isolated from competitive pressure and typically becomes less nimble or even inflexible. This can lead to a mismatch between the verifier and ETC innovations and desire for improved checks (e.g., real-time enrollment, mapping tools, or photo ID review), which could stifle improvements to program integrity.