

**VARIABLE TIERED MULTI-YEAR RATE METHODOLOGY**  
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VRS Ratemaking History

- Years of inconsistent, erratic, and arbitrary ratemaking
- This year follows this pattern: NECA has recommended 24 different rate outcomes

Imbalanced VRS Market

- Huge imbalance in the VRS market, with one provider owning 80% market share
- NECA reports the weighted average of actual “allowable” costs for 2006 to be approximately \$4.50/minute. This is compared to the non-weighted average of approximately \$7.00. These costs compare to the current \$6.64 rate.
- Smaller VRS providers are especially at risk by the outcome of this round of rate setting: businesses will be crushed if weighted averages are used to set the rate.
- FCC must support open competition to meet the needs of the deaf community: competition brings innovation, improved quality, and choice.
- FCC should ensure fair and reasonable rates for all providers, with no windfall for any one provider.

Variable Tiered Multi-Year Rate Methodology

- Use tiered rates to reimburse all providers equally for like amounts of minutes.
- Providers with greater volumes achieve greater efficiencies and economies of scale that result in less cost per minute. The tiered method starts with higher payments for certain volumes of minutes. As the minutes grow and a provider moves to the next tier, the pay per minute decreases.
- As the volume increases there is a built-in mechanism to adjust the rate down, eliminating the need for an annual adjustment. This allows the rate to stay in effect for 3 years to achieve stability and allow for VRS planning.
- The tiered method ensures competition while avoiding an excessive payment to a dominant player.

- The tiered method will help lower the total fund expenditures without putting small VRS providers out of business.

#### NECA Rate Should Allow Certain Costs

- Research and development: critical for functional equivalence, 9-1-1 access
- Outreach and marketing: to inform community about the existence and use of VRS
- Certified deaf interpreters: for individuals with minimal language skills