

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link Up)	WC Docket No. 03-109

REPLY COMMENTS OF VERIZON¹ AND VERIZON WIRELESS

I. Introduction and Summary.

There is near universal agreement among ETCs that the Commission can achieve its goals of reducing waste, fraud and abuse and improving efficiencies in the Lifeline program² by implementing a centrally administered database system. A centrally administered database would facilitate real-time Lifeline enrollment, certification and verification, thereby curbing duplicate claim abuses. A centrally administered database system managed by an independent national administrator would also eliminate the need for the Commission to develop complex and inefficient short-term solutions to problems such as duplicate claim reimbursement that further encumber program administration. With an independent national administrator in place to manage the database system, the Commission can ensure that specialized rules aimed at

¹ In addition to Verizon Wireless, the Verizon companies participating in this filing (“Verizon”) are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

² See generally *Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up*, Notice of Proposed Rulemaking, 26 FCC Rcd 2770 (2011) (“NPRM”).

ensuring, for example, that only one qualified individual or household receives Lifeline support, are properly and evenly applied – a task ETCs are ill-equipped to perform.

Toward that end, the Commission should adopt proposals that complement the efficiency gains that a centrally administered database will provide. One significant improvement would be to discard the provider-based Lifeline model altogether and instead provide discount vouchers to qualified beneficiaries to spend at their election on specified services offered by their preferred provider. With beneficiaries empowered to make service selections using a voucher with a pre-set value that can only be used once, claim duplication – a substantial focus of fraud and abuse today – would be largely avoided. Absent such a program, a personal identification number (PIN) system of the type proposed by AT&T³ makes sense, because it would enable real-time enrollment in and certification of eligibility for Lifeline, automate the annual Lifeline verification process (used to determine continued eligibility for those already enrolled in the program), and streamline the USAC-provided reimbursement process for Lifeline discounts. Each of these proposals would also help contain the unchecked growth of the low-income fund.

Likewise, the Commission should not adopt proposals that would thwart the gains from a centrally administered database system. For example, it would be counterproductive to expand the mandatory self-certification rules and other rules applicable to Lifeline-only ETCs (who, in exchange for forbearance from other ETC requirements, must obtain annual self-certifications and verifications from each of their Lifeline customers) and apply them to all other ETCs who currently conduct annual eligibility verifications based on statistically valid samples.⁴ Apart from the fact that use of the statistically valid sample method is not the source of significant

³ See AT&T Comments at 11.

⁴ See TracFone Comments at 33-34.

waste and abuse and therefore is a hollow target for reform, adopting such a proposal would serve only to increase administrative burdens and costs on ETCs.

Similarly, adopting a rule that requires pro rata claim reporting⁵ would impose additional costs and administrative burdens. Currently, carriers report Lifeline counts used for reimbursement claims on a fixed day each month, and under this methodology some partial month Lifeline customers are included in the count while other partial month customers are excluded, allowing Lifeline additions and drops during the course of a month to off-set each other. There is no reason to believe that, over time, reporting on this basis substantially overstates or understates a carrier's monthly count of eligible Lifeline customers.

II. A Centrally Administered Database System Will Reduce Waste and Improve Efficiencies in Lifeline Enrollment, Certification, and Verification Procedures.

Meaningful change in administering the Lifeline program cannot occur absent streamlined enrollment, certification, and verification procedures on a national level. Consistent with the recommendations contained in the *National Broadband Plan*⁶ and in the comments of multiple parties in this docket,⁷ a database designed to centralize the enrollment, certification, and verification procedures is imperative to sustain the program in the 21st century – as is a national Lifeline administrator charged with operating the centralized database. Indeed, adopting a centrally administered database system would solve many of the short-term problems the

⁵ See NPRM ¶¶ 65-67.

⁶ *Connecting America: The National Broadband Plan*, <http://download.broadband.gov/plan/national-broadband-plan.pdf>, at 172 (2010) (“*National Broadband Plan*”).

⁷ See, e.g., AT&T Comments at 11-12; TracFone Comments at 30; Cox Comments at 3; COMPTEL Comments at 21; CTIA Comments at 4; Nebraska Public Service Commission Comments at 5; Leap Wireless and Cricket Communications Comments at 7-8; Comcast Comments at 2-3; Consumer Cellular Comments at 20-21.

Commission has identified – such as duplicate claim reimbursement – for which interim measures would be inefficient and costly.

A national database and a system for processing enrollment, certification, and verification in real time would help curb the duplicate claim abuses the Commission has described as a significant problem and a drain on scarce USF resources.⁸ A voucher system would complement the national database because, with beneficiaries empowered to make service selections using all or part of a voucher with a pre-set value that can only be used once, claim duplication would be largely avoided, resulting in fund preservation. If a voucher system is not adopted, then the PIN system envisioned by AT&T makes sense. It would enable USAC to interface with state social service agencies and other organizations to pre-qualify individuals for Lifeline based on all the various state and national eligibility criteria and provide PINs to qualified individuals to facilitate enrollment – all in real time.⁹ It would also entirely automate the annual Lifeline verification process (used to determine continued eligibility for those already enrolled in the program), the requirements for which vary widely by state, and would streamline the USAC-provided reimbursement process for Lifeline discounts.

A. An Independent National Administrator Should Manage the Database and Enforce Program Rules and Requirements.

The Commission should create a centralized administrator to manage the database system and improve program efficiencies. Imposing additional obligations on ETCs to review and verify eligibility documents, for instance, is the wrong approach. ETCs do not have the expertise needed to execute these functions – which are fundamentally functions better suited for social service or government agencies – and assigning responsibility for enrollment decisions to

⁸ NPRM ¶¶ 103-05.

⁹ See AT&T Comments at 9.

multiple ETCs leads to inconsistent eligibility determinations. Centralized administration solves these problems, is more cost effective, and reduces overall administrative costs.

The pervasive problem of duplicate claims arising from single households is illustrative of why an independent national database manager is needed. The Commission proposes to codify the “one-per-residence” requirement¹⁰ and others have suggested similar rules.¹¹ Whether the Commission codifies the one-per-residence rule or some other requirement, however, a designated entity such as an independent national administrator must be responsible for enforcing the new rule and applying the myriad exceptions that will exist with any such rule. Those exceptions include duplex houses or apartments with one family residing on one floor and another family residing on another floor; homeless shelters and other group living facilities; and group living facilities in Tribal communities.¹² ETCs lack both the resources and expertise needed to apply these exceptions and avoid the unintended consequence of excluding eligible Lifeline customers. A national administrator is needed to execute these functions.¹³

¹⁰ NPRM ¶¶ 35-40 (announcing proposal to codify the “one-per-residential-address” rule); *see also Lifeline and Link-Up*, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶ 4 (2004) (“Lifeline provides low-income consumers with discounts of up to \$10.00 off of the monthly cost of telephone service for a single telephone line in their principal residence”).

¹¹ *See* Sprint Comments at 11; Public Utilities Commission of Ohio Comments at 3-4; CenturyLink Comments at 12-14; Consumer Cellular Comments at 17-18; Cincinnati Bell Comments at 3; Nebraska Public Service Commission Comments at 7; CTIA Comments at 12-15; Benton Foundation Comments at 4.

¹² NPRM ¶¶ 108, 116, 119-20, 121-25; *see also* Smith Bagley Comments at 10-11; TracFone Comments at 13-14; Connecticut Department of Public Utility Control Comments at 6; Leap Wireless and Cricket Communications Comments at 8-9.

¹³ NPRM ¶¶ 208-09. A national database administrator would also be equipped to notify customers receiving duplicate payments that they must select a single ETC to provide Lifeline service, as the Commission proposes. *Id.* ¶ 60.

B. Proposals That Increase Administrative Burdens and Program Costs and Undermine the Efficiency Gains from a Centrally Administered Database Should Be Rejected.

It would be counterproductive to adopt TracFone's proposal to expand the self-certification rules applicable to Lifeline-only ETCs (who, in exchange for forbearance from requirements that govern full ETCs, must obtain annual self-certifications and verifications from each of their Lifeline customers) and apply those rules to all ETCs who are required to conduct annual verifications of continuing eligibility based on statistically valid samples.¹⁴ Such a measure will serve only to increase administrative burdens; it will not significantly curb waste and abuse because the statistically valid sample measure is not a significant source of waste and abuse in the program today. Implementing a national database is the proper solution; it addresses these and other concerns by streamlining and simplifying enrollment, certification and verification for Lifeline participants.

Similarly, ETCs overwhelmingly agree that the proposal to require ETCs to report partial or pro-rata reimbursement claims for Lifeline customers who receive service for less than a full month would be costly and is unnecessary.¹⁵ Carriers are not now required to pro-rate their reimbursement claims for Lifeline customers that initiate or discontinue service during the course of the month. Such a requirement would be extremely difficult to implement. The difficulty is not reduced by the fact that some carriers may be capable of billing other services on a pro-rata basis;¹⁶ customer billing systems and systems used to calculate Lifeline reimbursements are

¹⁴ See TracFone Comments at 33-34.

¹⁵ See AT&T Comments at 25-27; Cox Comments at 8; CTIA Comments at 22; United States Telecom Association Comments at 15; Conexions Comments at 7; Consumer Cellular Comments at 11; Cincinnati Bell Comments at 14; General Communication Comments at 28.

¹⁶ See NPRM ¶ 67.

entirely different and the ability to pro-rate does not exist in many carrier systems used to calculate Lifeline reimbursements. In addition, Lifeline customers are dynamic. To track Lifeline counts on a granular level, carriers would likely have to pull data every day and calculate pro-rated support for each Lifeline customer. For large carriers with millions of Lifeline customers, such a process would be prohibitively expensive. Complex modifications to carrier billing systems would be necessary to capture required data and to adjust reimbursement claims.

Moreover, there is nothing to be gained from mandatory, pro-rata Lifeline reimbursement claims. The current process allows carriers to report Lifeline counts used for reimbursement claims on a fixed day each month. Using this methodology, some partial month Lifeline customers are included in the count while other partial month customers are excluded. In other words, Lifeline additions and drops during the course of a month off-set each other. There is no reason to believe that, over time, reporting on this basis substantially overstates or understates a carrier's monthly count of eligible Lifeline customers. This method is more efficient, less complicated to administer, and easier to audit than a pro-rata approach.

As a rule, the Commission should avoid adopting rules that add significant administrative costs and that undermine the modernization of fund administration. The Commission can reduce waste, and make good progress toward achieving its goal of ensuring that Universal Service Fund policies provide support that is sufficient but not excessive, by adopting its proposal to set a reasonable budget for the low-income fund. Otherwise, unrestrained growth of the overall fund will “jeopardize universal service by increasing the contribution burden on American consumers and businesses, thereby discouraging adoption and use of communications services.”¹⁷

¹⁷ NPRM ¶ 142 (citing *National Broadband Plan* at 149).

III. Service Non-Usage Rules Should Not Penalize Customers Who Maintain Current Account Balances.

While measures must be taken to minimize payments from the fund for enrolled Lifeline customers who are no longer using the service,¹⁸ any rules that address the issue should not be applied to ordinary wireline local exchange service or other services for which a customer pays a monthly fee. There is a fundamental difference between “free service like that offered by TracFone”¹⁹ and service that customers pay for, even if discounted. A paying customer has a right to use service every day in a billing cycle, some days in a billing cycle, or no days at all. A paying customer who, for example, is away on prolonged travel or in the hospital receiving medical treatment has every right to expect that the service benefits that have been paid for will remain intact during those periods of non-use. It is bad policy to disconnect paying customers who are current on their monthly bills based on an arbitrary cut-off period set by an ETC. The proposal to do so should be rejected.

¹⁸ NPRM ¶¶ 80-92.

¹⁹ TracFone Comments at 17.

IV. Conclusion.

The Commission should adopt a voucher-based discount program and a centralized database managed by a national administrator.

Respectfully submitted,

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