



HEALTH INFORMATION EXCHANGE OF MONTANA

Rural Health Care Pilot Program

Lessons Learned

October 2012

RHC Pilot Program

Lessons Learned

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- ***Bureau Concluded Pilot Program Increased Competition***
 - “Lower Rates, Higher Bandwidth, and Better Service Quality”
 - Pilot Projects generally received a significant number of competitive bids
 - No competitive bids received in estimated 84% of requests in legacy RHC program
[Bureau RHCPP Evaluation at paras. 81-83]

- ***Lesson: Forcing health care providers to take-or-leave what is being offered by local service providers increases USF costs and will decrease available services and quality.***

RHC Pilot Program

Lessons Learned

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□ **Competition Saves USF Funds**

- HIEM saved costs by competitively selecting a “build” option
 - HIEM wanted fiber connectivity to its HCPs
 - HIEM was agnostic as to build vs. lease
 - HIEM had significant “skin in the game” because of the 15% match requirement
 - Bidders offering leased connections did not offer competitive pricing
 - It was less costly to build, even when factoring long-term maintenance
 - Leasing costs were so high, HIEM would not have been able to establish a sustainable network for 30 years
- HIEM’s RHCPP network does not require ongoing USF support
- Lesson: *The existing competitive bidding process proved sufficient to determine whether build or lease is more cost-effective.*

RHC Pilot Program

Lessons Learned

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- ***Health Care Providers Can Manage Network Construction and Operation***
 - Fundamentally similar to any large-scale project such as building a new hospital or major addition
 - The same subcontractors used by telcos for construction, repair, and maintenance are available to HCPs
 - Successful HCPs such as HIEM have subcontracted all of these services
 - HCP-managed networks are especially efficient when participating HCPs are spread across multiple carrier service areas

- ***Lesson: There is no reason to force HCPs to purchase network as a service from telcos.***

RHC Pilot Program

Lessons Learned

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- ***Excess Capacity Partnerships Benefit Local Communities at No Cost to USF***
 - HIEM paid out-of-pocket for excess capacity
 - Excess capacity does not violate Act (no resale of USF-funded services or capacity)
 - Proceeds from leasing excess capacity used only to sustain network
 - Win-win:
 - Local carriers obtain access to low cost fiber which they can use to provide affordable broadband to local communities
 - Improves sustainability of HCP networks
- ***Lesson: Excess capacity partnerships help communities and do not harm but rather help incumbent carriers struggling to invest in new infrastructure.***

Rural Health Care Program

HIEM Recommendations

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□ ***Support Infrastructure Investment***

- Reject process obstacles: post-auction notice period and 6-month waiting period cause delay with no corresponding public benefit
- Current RFP process determines most cost-effective use of USF funds; lease or build – require ALL bidders to compete on level playing field
- Permit excess capacity partnerships with local providers

□ ***Grant HIEM request for unused Pilot Program funds***

- HIEM seeks to complete network as originally proposed (only 2 years of a 5-year build budget was funded)
- Redundant loops still needed (red lines on map)
- Will create additional partnership opportunities for HIEM and telcos