



Via Email and the FCC Electronic Comment Filing System

November 16, 2012

Julie Veach
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Rural Health Care Pilot Program, Docket No. 02-60
USAC Data and Observations on the FCC Rural Health Care Pilot Program

Dear Ms. Veach:

Pursuant to a request from Federal Communications Commission (FCC) staff, the Universal Service Administrative Company (USAC) is submitting for the record a summary of certain data points and observations from the federal Universal Service Rural Health Care (RHC) Pilot Program (Pilot Program or RHCPP) and the traditional Rural Health Care Support Mechanism Program (Primary Program).¹ The following data points and observations relate to funding and participation in the RHCPP and Primary Program:

- The smallest Pilot Program project is St. Joseph's Hospital with four participating health care providers (HCPs). The largest Pilot project is New England Telehealth Consortium with 477 participating HCPs.
- As of November 15, 2012, USAC issued a total of \$364,401,194 in funding commitments to Pilot Program projects supporting 3,822 sites. Of the total committed, \$223,642,632 or 61.37 percent was allocated for rural HCPs and \$140,758,562 or 38.63 percent for non-rural HCPs.

¹ USAC filed responses to similar requests for data and observations on May 4, May 30, June 27, 2012, August 2, 2012 and August 9, 2012. Letter from Craig Davis, Vice President, Rural Health Care Division, USAC, to Sharon Gillett, FCC, dated May 4, 2012. Letter from Craig Davis, Vice President, Rural Health Care Division, USAC, to Sharon Gillett, FCC, dated May 30, 2012. Letter from Craig Davis, Vice President, Rural Health Care Division, USAC, to Sharon Gillett, FCC, dated June 27, 2012. Letter from Craig Davis, Vice President, Rural Health Care Division, USAC, to Julie Veach, FCC, dated Aug. 2, 2012. Letter from Craig Davis, Vice President, Rural Health Care Division, USAC, to Julie Veach, FCC, dated Aug. 9, 2012.

- As of November 15, 2012, there are 2,524 rural HCPs in the Pilot Program, representing 66.04 percent of all HCPs participating in the Pilot Program. There are 1,298 non-rural HCPs, representing 33.96 percent of the total HCPs.
- In the Pilot Program, several projects have used Pilot Program support to fund all or a portion of the underlying broadband network to form or connect to Health Information Exchanges (HIEs).
- Appendix A provides Pilot Program HCP average monthly recurring cost by connection bandwidth (rural and non-rural). Appendix B provides Pilot Program Rural HCP average monthly recurring cost by connection bandwidth. Appendix C provides Primary Program (telecom services) HCP average monthly recurring cost by connection bandwidth (rural only).
- Six Pilot Program projects requested support to connect to Internet2. No project requested support to connect to National Lambda Rail.
- As of November 15, 2012, 19 Pilot Program projects received \$18,857,494 in funding commitments for data centers. Commitments were made for data centers to support network equipment located at the data center and connections between data centers and the public Internet or other networks.
- Based on USAC's experience in the Pilot and Primary Programs, normal and reasonable undiscounted installation costs for broadband services should be no more than \$5,000.
- The Primary Program, as measured by HCPs receiving support, has grown over the past five funding years. Below is a table displaying year-over-year growth in HCP participation.²

| Funding Year | Growth |
|--------------|--------|
| 2007 | 9.61% |
| 2008 | 9.51% |
| 2009 | 9.64% |
| 2010 | 8.95% |
| 2011 | 8.75% |

- As of November 15, 2012, support for non-recurring charges was requested in the Pilot Program as follows:³

² Growth rate for Funding Year 2011 (July 1, 2011 through June 30, 2012) is projected based on the number of packets remaining to be processed.

³ The following information includes only eligible health care providers.

- A total of 11 HCPs requested funding for a 30-year indefeasible right of use (IRU) for an undiscounted total of \$2,477,209.
 - A total of 189 HCPs requested funding for a 20-year IRU or a pre-paid lease for an undiscounted total of \$35,686,580.
 - A total of 90 HCPs requested funding for a 15-year IRU or a pre-paid lease for an undiscounted total of \$14,890,446.
 - A total of 224 HCPs requested funding for a 10-year IRU or a pre-paid lease for an undiscounted total of \$17,589,462.
 - A total of 421 HCPs requested funding for a four-year pre-paid lease for an undiscounted total of \$18,758,055.
 - A total of five HCPs requested funding for a two-year pre-paid lease for an undiscounted total of \$127,674.
 - A total of 312 HCPs requested funding for HCP owned infrastructure for an undiscounted total of \$39,477,659.
 - A total of 3,058 HCPs requested funding for non-recurring charges not captured above for an undiscounted total of \$78,098,290.
- As of November 15, 2012, Pilot Program support for non-recurring charges (including construction, IRUs, and pre-paid leases) was distributed as follows:
 - 12.90 percent of HCPs received no support for non-recurring charges.
 - 55.15 percent of HCPs received support for between \$1-\$25,000 in undiscounted non-recurring charges.
 - 12.40 percent of HCPs received support for between \$25,001-\$50,000 in undiscounted non-recurring charges.
 - 4.06 percent of HCPs received support for between \$50,001 and \$75,000 in undiscounted non-recurring charges.
 - 3.29 percent of HCPs received support for between \$75,001 and \$100,000 in undiscounted non-recurring charges.
 - 12.20 percent of HCPs received support for over \$100,000 in undiscounted non-recurring charges.
 - In the Pilot Program, for several projects it took six months, or longer, to organize, determine HCP eligibility, and identify the services needed to prepare a request for proposal (RFP).
 - Based on Pilot Program trends, it can take up to six months, sometimes longer, for a consortium to complete its competitive bidding process (including bid analysis), choose a vendor, and negotiate a contract.
 - Approximately 5,409 unique rural HCPs are participating in the Primary and Pilot programs combined, with 2,885 participating in the Primary Program only. There were 593 HCPs that received support in the Primary Program in funding year (FY) 2010 that also received funding for different services in the Pilot Program.

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- In FY 2010 (the last year for which full funding year data is available), approximately 2,517 HCPs received a total of \$86.3 million in commitments for non-voice telecommunications services through the Primary Program.
- As of November 15, 2012, all but one of the 50 active Pilot projects included at least one non-rural HCP.
- As of November 15, 2012, after accounting for current Bridge⁴ funding commitments, there are \$53,389,280 in uncommitted funds in the Pilot Program. USAC issued two funding commitments for Bridge funding totaling \$902,011. USAC estimates \$1 million in un-committed Pilot Program funding requests and a maximum of \$8 million in un-committed Bridge funding requests.
- For calendar year 2011, USAC's Rural Health Care Division (RHCD) authorized \$140,708,822 in disbursements. RHCD's administrative expenses, including a percentage of USAC joint and common costs allocated to RHCD pursuant to the cost allocation methodology on file with the Commission, were \$12,673,452. Thus, RHCD's administrative expenses as a percentage of authorized disbursements were 9.02 percent.
- In the Pilot Program, as of November 15, 2012, the average monthly recurring un-discounted cost for non-rural, not-for-profit hospitals, excluding shared network expenses is \$3,007, per location. The average non-recurring un-discounted cost for non-rural, not-for-profit hospitals, excluding shared network expenses is \$92,731, per location.⁵
- Based on USAC's Pilot Program experience, projects that requested support for eligible taxes and surcharges usually requested funding for a maximum of 10 percent over the current tax rate at the time that the request for funding was submitted to USAC.

Sincerely,

/s/ Craig Davis
Vice President, Rural Health Care Division

⁴ *In the Matter of Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, FCC 12-74, 27 FCC Rcd 7907 (2012) (*Bridge Funding Order*).

⁵ The average non-recurring expense includes expenses for HCP owned infrastructure, extended period IRUs and pre-paid leases.

| Bandwidth | # of HCPs | Average Cost Per Month* | | |
|--------------------------------------|------------------|--------------------------------|-------------------------|-------------------|
| | | Pilot Program Support | HCP Contribution | Total Cost |
| 1.5 Mbps to less than 3 Mbps | 631 | \$564 | \$100 | \$664 |
| 3 Mbps to less than 6 Mbps | 242 | \$1,030 | \$182 | \$1,211 |
| 6 Mbps to less than 10 Mbps | 90 | \$1,634 | \$312 | \$1,945 |
| 10 Mbps to less than 25 Mbps | 972 | \$1,259 | \$259 | \$1,519 |
| 25 Mbps to less than 100 Mbps | 201 | \$2,301 | \$417 | \$2,718 |
| 100 Mbps or more | 434 | \$2,399 | \$582 | \$2,982 |

*As of Nov. 15, 2012.

| Bandwidth | # of HCPs | Average Cost Per Month* | | |
|--------------------------------------|------------------|--------------------------------|-------------------------|-------------------|
| | | Pilot Program Support | HCP Contribution | Total Cost |
| 1.5 Mbps to less than 3 Mbps | 400 | \$670 | \$118 | \$789 |
| 3 Mbps to less than 6 Mbps | 189 | \$1,026 | \$181 | \$1,208 |
| 6 Mbps to less than 10 Mbps | 45 | \$1,702 | \$326 | \$2,028 |
| 10 Mbps to less than 25 Mbps | 575 | \$1,204 | \$260 | \$1,464 |
| 25 Mbps to less than 100 Mbps | 141 | \$1,906 | \$348 | \$2,254 |
| 100 Mbps or more | 260 | \$2,449 | \$687 | \$3,136 |

*As of Nov. 15, 2012.

Appendix C

Primary Program (Telecom Services) HCP Average Monthly Recurring Cost By Connection Bandwidth

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| Bandwidth | # of HCPs | Primary Program Support | HCP Contribution | Total Cost |
|--------------------------------------|------------------|--------------------------------|-------------------------|-------------------|
| 1.5 Mbps to less than 3 Mbps | 1096 | \$567 | \$259 | \$826 |
| 3 Mbps to less than 6 Mbps | 362 | \$1,213 | \$578 | \$1,791 |
| 6 Mbps to less than 10 Mbps | 118 | \$1,971 | \$1,015 | \$2,985 |
| 10 Mbps to less than 25 Mbps | 200 | \$2,468 | \$962 | \$3,429 |
| 25 Mbps to less than 100 Mbps | 138 | \$4,574 | \$2,605 | \$7,179 |
| 100 Mbps or more | 114 | \$6,847 | \$2,468 | \$9,315 |

Note: Funding Year 2010, excluding Alaska.