

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Structure and Practices of the Video Relay) CG Docket No. 10-51
Service Program; Telecommunications Relay)
Services and Speech-to-Speech Services for)
Individuals with Hearing and Speech Disabilities) CG Docket No. 03-123
)
To: The Commission)

**REPLY COMMENTS TO PUBLIC NOTICE ON STRUCTURE AND PRACTICES
OF THE VIDEO RELAY SERVICES PROGRAM**

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November 29, 2012

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COMMENTS TO PUBLIC NOTICE ON STRUCTURE AND PRACTICES OF THE VIDEO RELAY SERVICES PROGRAM

Purple Communications, Inc. (“Purple”) provides the following Reply Comments to the Federal Communications Commission’s (the “Commission’s”) October 15, 2012, Public Notice seeking additional comment on the Structure and Practices of the video relay services (“VRS”) program (the “Notice”).¹

I. EXECUTIVE SUMMARY

The functional equivalence mandate of the Americans with Disabilities Act (“ADA”) calls for a VRS program characterized by competition, innovation, and quality service, which each promote consumer choice.² Commenters have made clear that the Commission should not abandon these policies, but, rather, reaffirm them.

Consumer Groups, Purple and other VRS providers are in agreement that the Commission should not make structural changes that risk the long-term viability of the VRS program and compromise the functional equivalence created by consumer choice. Specifically, the Commission should not adopt a single common VRS software application that provides only base-line service and absolutely no choice for consumers. This would be contrary to the functional equivalence mandate and would widen the gap between VRS users and their hearing counterparts who can choose from a range of providers. Instead, the Commission should adopt clear technical standards with third-party testing to promote interoperability and consumer choice among VRS applications, which functional equivalence requires.

¹ *Additional Comment Sought on Structure and Practices of the Video Relay Service (VRS) Program and on Proposed VRS Compensation Rates*, CG Docket Nos. 10-51 and 03-123, Public Notice, DA 12-1644 (Oct. 15, 2012) (*Public Notice*).

² Comments of Purple Communications, Inc., at 1-3, CG Docket Nos. 03-123 & 10-51 (filed Nov. 14, 2012) (“Purple VRS PN Comments”).

In addition, many Commenters agree with Purple that the Commission should adopt a third party registration and verification process. By doing so, the Commission would provide independent protection to the industry, the TRS Fund and VRS providers while also protecting the privacy interests of consumers. Finally, Purple believes the Commission should reject the TRS Fund Administrator's rate proposal and adopt a transitional tiered rate leading to a unitary rate subject to three-year price caps.

Purple believes these proposals, which Consumer Groups and VRS providers have echoed, are compatible with functional equivalence and represent the path forward for the Commission, consumers and the industry.³

II. COMMENTERS FAVOR CLEAR TECHNOLOGY STANDARDS THAT ALLOW CONSUMERS TO USE THE VRS APPLICATION OF THEIR CHOICE

Purple, Consumer Groups and many other Commenters agree that the adoption of a universal VRS software application is not in the interests of the Commission, consumers or providers: "in short, rather than moving VRS toward functional equivalency, mandating a single application is likely a step backwards."⁴ Rather than pursue a universal VRS software application, Purple, and many other Commenters, believe the Commission should favor the adoption of clear technical standards that address interoperability and allow a choice of VRS applications.

A. There Is Consensus That "Universal Software" Is A Step In The Wrong Direction And Should Be Rejected.

Purple's position, echoed by other Commenters, is that market-based competition with adherence to technical standards monitored by the Commission is the most effective way to spur

³ See Purple VRS PN Comments at 1-3.

⁴ Comments of Consumer Groups, at 5, CG Docket Nos. 03-123 & 10-51 (filed Nov. 14, 2012) ("Consumer Groups VRS PN Comments").

innovation and meet the mandate of functional equivalence. Purple agrees with the Consumer Groups that:

Innovation is much more likely to come from a VRS program that has multiple private providers competing with each other in the provision of applications than from a single governmental entity or contractor that develops a single VRS application. By requiring a “reference platform” against which all compensable applications are tested, together with a third-party interoperability test, the Commission will move toward interoperability while maintaining the conditions necessary to encourage innovation.⁵

Convo repeats this theme in its comments: “the unilateral mandate by the Commission of a single VRS technology, as proposed by CSDVRS, effectively will freeze VRS technology and prevent individual VRS providers from developing new and better VRS products.”⁶ Sorenson also correctly states that “the imposition of a unified software-based endpoint that must be used by all providers and all users—would destroy existing incentives to innovate, introduce a hornet’s nest of complexities (related to technological changes, compensation structures, and customer support), and deny consumers the right to use the products of their choice.”⁷

Finally, the Rehabilitation Engineering Research Center on Telecommunications Access (“RERC-TA”), an independent voice among Commenters, also agrees that a single application is misguided:

[F]orcing VRS providers to adopt a single common software platform would not resolve the interoperability problems, and do more harm than good to VRS users, due to reduced competition and incentives for research and development. It also would have the unfortunate effect of further delaying the availability of VRS on new hardware, which is already a problem today on mobile Android devices, due to the over-reliance on a single vendor to provide the platform (Mirial/Logitech). Neither would a common single app meet the goal of functional equivalence – it would be akin to forcing everyone in the hearing population go back to the AT&T monopoly for all their calling needs, rather than the plethora of landline, VoIP,

⁵ *Id.* at 6.

⁶ Comments of Convo Communications, LLC, at 15-16, CG Docket Nos. 03-123 & 10-51 (filed Nov. 14, 2012) (“Convo VRS PN Comments”).

⁷ Comments by Sorenson Communications, Inc., at 47, CG Docket Nos. 03-123 & 10-51 (filed Nov. 14, 2012) (“Sorenson VRS PN Comments”).

and mobile calling options that exist today.⁸

Purple and the other Commenters have made it clear that the Commission should reject the proposal to require a universal software application as a method of access to VRS.

B. The VRS Industry Seeks Clear Technical Standards That The Commission Will Implement And Monitor.

The Commission should participate with the industry in setting clear technical standards for providers that will promote interoperability and the provider competition that facilitates consumer choice.⁹ Purple's views are shared by many Commenters, including Consumer Groups, who recommend that the Commission adopt a "VRS 'reference platform' that will serve as a basis for interoperability testing among multiple VRS applications and for third-party tests to ensure that VRS services are compatible with the reference platform and are interoperable."¹⁰

Commenters favor the formation of a working group¹¹ or using the existing SIP Forum¹² as a basis for defining and documenting the standards or "reference platform specifications" and the required testing and transition schedule. Purple supports these Commenters and would be an active participant in any such process, whether through a working group or through the existing SIP Forum.

In addition to having clear technical standards, Purple believes that it is important to have timely implementation and monitoring of the new standards to meet specified timelines. Purple agrees with RERC-TA's suggestion that there should be "a combination of setting and enforcing strict interoperability standards within a specified time window, as well as the provision of a

⁸ Comments of the Rehabilitation Engineering Research Center on Telecommunications Access, at 7, CG Docket Nos. 03-123 & 10-51 (filed Nov. 14, 2012) ("RERC-TA VRS PN Comments").

⁹ *See, e.g.*, Comments of Purple Communications, Inc., at 13-17, CG Docket Nos. 03-123 & 10-51 (filed March 8, 2012) ("Purple VRS FNPRM Comments").

¹⁰ Consumer Groups VRS PN Comments at 6.

¹¹ Convo VRS PN Comments at 16.

¹² Sorenson VRS PN Comments at 52; RERC-TA VRS PN Comments at 7.

reference platform against which interoperability can be tested.”¹³ Purple also agrees that there should be “a neutral third party for maintaining the reference platform, and for certifying interoperability among the VRS providers’ products.”¹⁴

It is evident among Commenters that the VRS industry would welcome technical standards and that such standards will promote interoperability, provider competition, and consumer choice.

III. MOST PROVIDERS SUPPORT CENTRALIZED REGISTRATION AND VERIFICATION BY A QUALIFIED THIRD PARTY

Purple believes the Commission should retain the services of a qualified firm, such as Experian, to provide centralized registration and verification for VRS (as well as for other forms of TRS). Centralizing this particular function in the hands of a third party would provide significant administrative benefits and audit capabilities to both the Commission and the TRS Fund Administrator while allowing VRS providers to focus on innovation and service quality for the benefit of consumers. It also would make the registration and verification process easier for consumers and help reduce illegitimate use of VRS services, resulting in savings to the TRS Fund and enhancing the VRS program’s integrity. However, Purple does not endorse the use of a third party beyond these limited functions. Further involvement by a third party would interfere with the service delivery process and the ability of providers to innovate on behalf of customers, hindering the competition that fosters consumer choice and functional equivalence.

Centralizing registration and verification functions is supported by Consumer Groups and every VRS provider except Sorenson. Sorenson appears to be concerned about consumer privacy and the ability of a centralized administrator to gather necessary verification

¹³ RERC-TA VRS PN Comments at ii.

¹⁴ *Id.*

information.¹⁵ Sorenson’s concerns are not well-founded. The Commission, working with the industry, can establish protocols to secure consumer data. In addition, firms such as Experian already are in the business of securely gathering and storing massive amounts of consumer information. It is noteworthy that VRS users themselves support this proposal, as evidenced by the Comments of Consumer Groups: “[s]ubject to the development and adoption of robust privacy and user protection guidelines and requirements . . . the Consumer Groups agree that the enhanced iTRS database should include registration and validation functions. The registration process should not be burdensome and should be easy for the user to complete.”¹⁶

As Commenters recommend, the Commission should adopt a policy of centralizing the registration and verification process to insulate the TRS Fund and allow the industry to focus on the business of innovation, quality choice, and consumer satisfaction in furtherance of functional equivalence.

IV. PURPLE’S RATE PROPOSAL AND MULTI-YEAR TRANSITION PLAN OFFER STABILITY, TRANSPARENCY, AND FAIRNESS

A. Sorenson’s Rate Comments Are Self-Serving And Focus On Preserving Sorenson’s Market Share At The Expense Of Rivals, Consumers And Technological Advancement.

Sorenson is proposing a single unitary rate of \$5.14 per minute¹⁷ at a time when it handles over seven million minutes per month.¹⁸ Historically, however, when Sorenson was much smaller in terms of monthly minutes, it not only consistently argued for higher per minute

¹⁵ See Sorenson VRS PN Comments at 86, 90.

¹⁶ Consumer Groups VRS PN Comments at 16.

¹⁷ Sorenson VRS PN Comments at 37.

¹⁸ Today, the VRS industry handles approximately 9 million minutes per month. See Rolka TRS Fund Performance Status Report as of October 2012, available at <http://www.r-l-s-a.com/TRS/reports/2012-10TRSSstatus.pdf>. Assuming Sorenson handles approximately 80% of the industry’s volume, Sorenson handles over seven million minutes per month.

compensation rates but also received much higher per minute compensation rates than it now recommends. Sorenson had the advantage of these higher rates when it was a much smaller provider, and it should not be permitted to “pull up the ladder” and exclude all other providers from that same benefit now that it has grown.

This inconsistency in Sorenson’s position is well-documented. For example, in 2006, when the TRS Fund Administrator was proposing a rate reduction from \$6.644 per minute to \$6.138 per minute, Sorenson argued that the proposed rates were “illogical given that providers reasonably expect to incur higher costs” and “unreasonably low” and based on unsound methods and a “defective” process.¹⁹ At that time, the industry was handling approximately 3.7 million minutes per month,²⁰ and assuming Sorenson had a 70% market share, Sorenson was handling approximately 2.5 million minutes per month—many fewer than it is now. In 2006, Sorenson’s proposed rate to avoid a purported cataclysmic outcome to its business was \$7.03 per minute.²¹ Similarly, in 2010 Sorenson’s proposed rate to avoid a supposed disastrous outcome to its business was \$5.95 per minute.²² At this time the industry was handling approximately 7.8 million minutes per month,²³ and, assuming a 70% market share, Sorenson was handling approximately 5.4 million minutes per month—still smaller than it is today.

As indicated by this history, Sorenson’s current unitary rate proposal is self-serving and monopolistic; it calls for a rate that conveniently meets Sorenson’s needs at the present time while disregarding Sorenson’s prior arguments when the company was much smaller.

¹⁹ Comments of Sorenson Communications, Inc., at 2, 28, CG Docket 03-123 (filed May 17, 2006) (“Sorenson 2006 Rate Comments”).

²⁰ *See id.* at 26.

²¹ *Id.* at 2.

²² Comments of Sorenson Communications, Inc., at 2, CG Docket 03-123 (filed May 14, 2010) (“Sorenson 2010 Rate Comments”).

²³ *See* NECA TRS Fund Performance Status Report as of July 2010, *available at* <http://www.r-l-s-a.com/TRS/reports/2010-07TRSstatus.pdf>.

Sorenson's advocacy of a rate of \$7.03 in 2006 when it was twice the *current* size of Purple and ZVRS is ironic given Sorenson's current proposal today to set the rate for all providers, regardless of size, is \$5.14 per minute. Sorenson is familiar with the benefits of scale operations and knows that a rate of \$5.14 will only weaken the ability of its smaller rivals to compete effectively for a portion of VRS customers. Without this competition, consumer choice and functional equivalence are compromised.

The Commission should discount Sorenson's 2012 rate comments based on the facts in the record, its attempts to discredit the benefits of economies of scale, and its historically inconsistent statements about appropriate compensation levels needed.

B. The Commission Should Ensure There Are Multiple VRS Providers.

The Commission needs multiple providers, operating at scale, to achieve the lowest potential price for the services delivered under the VRS program. Contrary to this fundamental concept, Sorenson posits in its Comments that “[r]ational buyers do not choose to pay more because a seller is smaller or less efficient.”²⁴

Sorenson is mistaken. Even if the Commission is a “buyer,” a “rational buyer” would never leave itself in the position of having a critical input subject to single supplier risk and would never knowingly put itself in a position that would allow a supplier to become a monopoly and exert market dominance over its critical inputs. As a “rational regulator,” the Commission should have the exact same concerns as a “rational buyer,” especially because the Commission is subject to the ADA mandate of functional equivalence, a concept driven by choice and competition.²⁵

Moreover, as a rational regulator the Commission should not adopt Sorenson's “low

²⁴ Sorenson VRS PN Comments at 19.

²⁵ See Purple VRS PN Comments at 1-3.

cost” auction proposal in its Comments.²⁶ Sorenson itself was against such an auction proposal in 2006. At the time, Sorenson voiced strong opposition to potential monopolization of the industry if the Commission were to pick winners through auctions rather than setting rates. Sorenson suggested that such an approach would “destroy the competition that has allowed VRS to grow and would have disastrous consequences for VRS users.”²⁷ Sorenson continued by saying that the consequences of an auction would have the opposite impact of lowering costs: “[t]his perverse result would, like any monopoly grant, produce higher costs rather than efficiency. Moreover, with the monopoly in hand, the winning bidder would not have any incentive to spend money on providing a high quality of service, but instead would have incentives to shortchange users.”²⁸ Sorenson’s logic applies equally today.

Furthermore, for any meaningful competition to exist in the marketplace, the Commission must effectively use its enforcement authority with respect to current and new VRS rules to halt Sorenson’s existing predatory, anticompetitive practices which remain prevalent in the marketplace. The Commission’s Enforcement Bureau has received numerous complaints from VRS users, as well as smaller providers, detailing a pattern of abusive and manipulative practices employed by Sorenson in the field – including unauthorized porting, disabling or removing competitors’ VRS equipment and lack of interoperability features present in Sorenson’s products²⁹. While Purple believes that requiring third party certification of equipment interoperability as a precondition to receiving reimbursement will meaningfully contribute to creating fair competition, it will not itself solve the current competition problem.

²⁶ Sorenson VRS PN Comments at 37-41.

²⁷ Comments of Sorenson Communications, Inc., at 57, CG Docket No. 03-123 (filed Oct. 30, 2006) (“Sorenson 2006 FN Comments”).

²⁸ *Id.* at 10.

Sorenson must also be held accountable for its pervasive, anticompetitive internal and field practices in order for other providers to have a fair opportunity to compete for customers. Specifically, the Commission’s Enforcement Bureau has received multiple complaints from VRS users, as well as smaller providers, detailing an alleged pattern of abusive and manipulative practices employed by Sorenson in the field – including unauthorized porting, disabling or removing competitors’ VRS equipment and lack of interoperability features present in Sorenson’s products.³⁰ While Purple believes that requiring third party certification of VRS access technology as a precondition to receiving reimbursement will meaningfully contribute to creating fair competition, it will not itself remove all current barriers to competition. As a rational regulator, the Commission must see that its rules are not only promulgated, but also followed by all market participants if the desired result is to be achieved.

The Commission should adopt policies that allow for multiple providers to optimize the ultimate costs paid for VRS services and to minimize risk dependencies on any single provider. TRS should not be a program where a single provider is “too big to fail.”

C. Purple Endorses The Use of Tiered Rates As A Bridge To A Long-Term Unitary Rate.

There is ample information in the record to soundly reject the TRS Fund Administrator’s proposed rates and structure. The Administrator’s proposal impacts VRS providers in inverse proportion to their scale such that the smaller a provider is, the higher the percentage impact to their blended reimbursement rate. Based on the conclusions presented in the expert report attached to Purple’s Comments to the Notice,³¹ which demonstrate the industry experiences

³⁰ Based on Purple’s receipt and review of multiple customer complaint filings received either by customers or from the FCC’s Enforcement Bureau.

³¹ See Purple VRS PN Comments at 12 and Addendum A thereto.

decreasing costs in relation to increasing minute volumes, Purple believes the Administrator's rate reduction proposal has a backwards result. Rather than reducing recovery rates and overpayment to the industry's largest scale provider, the Administrator's proposed rates reduce reimbursement the most to the highest-cost minutes produced and the least to the lowest-cost minutes produced. Furthermore, given the sheer volume of minutes to which each proposed rate applies, the Commission could realize greater savings to the TRS Fund if the proposed rates applied the most to the largest total minute volume tier. As proposed, only 18% of the industry's total minutes would be billed to the TRS Fund under the first tier, whereas 82% of total minutes would be billed under the second tier. Hence, the proposed reform affects the portion of the current rate model that least benefits the TRS Fund.

To avoid the weakening of smaller providers, Purple advocates for a three to five year transition plan using tiered rates as a bridge to a long term unitary rate.³² Purple's proposal has the following benefits, which the Commission should seriously consider: (i) it offers a predictable rate model where providers and their investors can make rational capital decisions, including whether to deploy capital in the market, to look for merger opportunities, or to exit the market entirely; (ii) it results in immediate material savings to the TRS Fund while putting no provider at risk of failure; (iii) it allows smaller providers time and resources to "climb the scale curve"; and (iv) it ends any notion of "subsidy" to smaller carriers and gets the Commission closer to competitive, market-based pricing.

Notably, Purple's proposed three-tiered rate structure includes restructured rate levels that more appropriately account for current provider sizes than either the existing three-tiered rate structure or Rolka's suggested two-tiered rate structure. While Purple agrees with Rolka's

³² Purple VRS PN Comments at 14-16.

proposed elimination of the current first tier, which currently accounts for only 3% of the industry’s minutes, Purple’s proposal replaces that tier with a new third tier covering very high volumes, as well as an adjusted second tier covering mid-range volumes. This allows for immediate, material, scale-conscious reductions, which are more meaningful given that the most significant reduction applies to 79% of the industry’s monthly minutes. This is the proper rate-setting policy because it focuses rate levels where the most savings can and should be obtained.

Additionally, cost savings for the TRS Fund should be structured to prevent overcompensation of providers. The FCC’s third party auditor recently concluded that Sorenson was overcompensated.³³ By contrast, to Purple’s knowledge, the record is devoid of any evidence that smaller providers are overpaid. To the contrary, the same third party auditor concluded in its recent audit report of Purple that Purple was *not* overcompensated.³⁴ Purple believes the public record supports a conclusion that of the six certified providers of VRS, one is overcompensated,³⁵ and five are not. Purple’s proposed rate structure accounts for this reality, but it also allows for immediate savings to the TRS Fund that is appropriately targeted at the scale efficiencies present only at high volume levels.

Purple repeats its recommended transitional rate structure in the table below:

Tier	Minutes Per Month	Reimbursement Rate Per Minute
Tier 1	0 – 500,000	\$5.92 <i>A 5% reduction from the current Tier-1 rate</i>
Tier 2	500,000 – 2,000,000	\$4.82

³³ See Office of Inspector General Memorandum dated September 27, 2012, available at http://transition.fcc.gov/oig/Sorenson_Audit_Report_09272012_Redacted.pdf.

³⁴ This audit report is the property of OIG, which has published Sorenson’s audit but has neither published Purple’s audit nor authorized Purple to reproduce it in pertinent part as part of this filing.

³⁵ See *id.*

		<i>A 5% reduction from the current Tier-3 rate</i>
Tier 3	More than 2,000,000	\$4.10 <i>A 19% reduction from the current Tier-3 rate</i>

The application of this rate structure would immediately save the iTRS Program more than \$70 million dollars annually³⁶ and still allow smaller VRS providers the ability to innovate and compete with the full understanding that the tiered system will eventually be eliminated in favor of a long term unitary rate implemented at the conclusion of Purple’s proposed three-phase implementation schedule below:

Phase	Phase Description
Phase 1	During Phase 1, which would last for 12-months from the effective date of the FCC’s Order, technical standards would be developed and implemented for the centralized registration and verification, device interoperability, portability and the third party testing of VRS Access Technology. Rates during this period would be the transitional tiered rate structure.
Phase 2	During Phase 2, the technical standards would be implemented and enforced across the industry. Consumers would have new flexibility to choose providers and move their information from one provider to the other. This Phase would last for no more than 36-months and could last for less time if at least two other providers were operating with at least [20%] market share which would reflect the achievement of scale and serve as a trigger by which unitary rates could be applied industry wide. In any case, at the end of 36-months, regardless of market share re-allocation, all providers regardless of size would be paid a unitary rate. This provides the Commission and providers with a known “end date” to any notion of small provider subsidization.
Phase 3	During Phase 3, a new three-year, unitary rate would be implemented for all providers regardless of size and would be evaluated annually under a price cap efficiency factor calculation.

³⁶ See Attached [Exhibit 1](#) for detailed analysis of savings and estimated reimbursement rates by provider.

V. CONCLUSION

The Commission should not allow the VRS program to become dominated by a single provider with no incentive to innovate, offer quality service, and provide consumers choice. Purple's proposals, which many VRS providers and the Consumers Groups support, represent the best path forward for the Commission and the VRS industry. Purple hopes the Commission concurs.

EXHIBIT 1

Reimbursement Rate Analysis

The revised rate model below is based on general assumptions Purple has made in light of industry data and current market conditions and structure. These figures are estimates and presented for illustration purposes only.

Revenue Assumptions		
Company	Minutes	% Share
All others	200,000	2.11%
CSDVRS	700,000	7.37%
Purple	950,000	10.00%
Sorenson	7,650,000	80.53%
Totals	9,500,000	
Annualized	114,000,000	

Reimbursement Models									
Current			RLSA Model			Purple New Model			
	Minutes	Payments	Minutes	Payments	Minutes	Payments			
Tier 1	0	50,000	\$6.24	0	500,000	\$5.29	0	500,000	\$5.92
Tier 2	50,001	500,000	\$6.23	500,001		\$4.51	500,001	2,000,000	\$4.82
Tier 3	500,001		\$5.07				2,000,001	9,500,000	\$4.10

Provider	Current		RLSA Model			Purple New Model		
	Comp	Blended	Comp	Blended	Impact	Comp	Blended	Impact
All others	\$1,246,975	\$6.23	\$1,058,000	\$5.29	-15%	\$1,184,000	\$5.92	-5%
CSDVRS	\$4,130,385	\$5.90	\$3,546,800	\$5.07	-14%	\$3,924,000	\$5.61	-5%
Purple	\$5,397,085	\$5.68	\$4,674,050	\$4.92	-13%	\$5,129,000	\$5.40	-5%
Sorenson	\$39,344,645	\$5.14	\$34,884,350	\$4.56	-11%	\$33,355,000	\$4.36	-15%
Totals	\$50,119,090	\$5.28	\$44,163,200	\$4.65	-12%	\$43,592,000	\$4.59	-13%
Annualized	\$601,429,080		\$529,958,400			\$523,104,000		

Savings Compared to Current

-\$71,470,680

-\$78,325,080