

MEMORANDUM

Date : August 26, 2010

To : The Commission
(Meeting of September 2, 2010)

From : Gretchen Dumas
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Subject: Filing of Comments in Response to FCC's Notice of Proposed Rulemaking on the Rural Health Care Support Mechanism -- WC Docket No. 02-60

RECOMMENDATION: The Commission should submit comments in response to the FCC's Notice of Proposed Rulemaking (NPRM) on reform of the universal service Rural Health Care Support Mechanism.¹ Comments are due September 8, 2010.

BACKGROUND: This rulemaking is part of the FCC's agenda to implement the National Broadband Plan, which it released in March 2010. The Rural Health Care Support Mechanism provides funding for public and non-profit health care providers through three programs:

- 1) The Telecommunications Program, which subsidizes monthly non-recurring telecommunications service for rural health care providers to eliminate the rural/urban price difference within each state;
- 2) The Internet Access Program, which currently provides a 25% discount on monthly Internet access for health care providers in rural areas; and

¹ *In the Matter of Rural Health Care Support Mechanism*, Notice of Proposed Rulemaking, WC Docket No. 02-60, FCC 10-125; rel. July 15, 2010.

- 3) The Rural Health Care Pilot Program which pays 85% of the costs to build state or regional broadband networks for health care providers. (The California Telehealth Network (CTN) received a grant of \$22.1 million through this program to build a dedicated network that will connect over 800 sites.)

To date, the Rural Health Care support programs have been underutilized, with disbursements ranging in the past five years from \$30 million to \$61 million per funding year, out of an annual spending cap of \$400 million.

In this NPRM, the FCC seeks comment “on a package of reforms that would expand the use of broadband to improve the quality and delivery of health care, and address each of the major recommendations in the National Broadband Plan regarding the Commission’s rural health care program.” The FCC intends to maintain the existing funding cap of the rural health care program and propose reforms “that can be implemented in a measured and fiscally prudent way to provide public and non-profit health care providers with the underlying connectivity needed to access critical health IT applications.”

DISCUSSION: The NPRM presents several proposals, including the following:

- Replace the existing Internet Access Program with a new Health Broadband Service Program which would subsidize 50% of the monthly recurring costs for broadband Internet access plus 50% of installation charges, for public or non-profit health care providers *in rural areas*. This program would largely benefit rural health care providers that, to date, have not participated significantly in the existing Internet access program, as well as current participants in the existing Rural Health Care Pilot Program.
- Create a new Health Infrastructure Program which would subsidize 85 % of the costs to build broadband networks capable of 10 Mbps for public or nonprofit health care providers *where broadband is unavailable or insufficient for health IT.*²
- Expand the definition of “eligible Health Care Provider” to include acute care facilities, administrative offices, and data centers.

² Health IT includes billing and scheduling systems, e-care, electronic health records (EHRs), and telehealth and telemedicine.

California has particular interest in this proceeding, not only because of the California Telehealth Network's participation in the Rural Health Care Pilot Program, but also because it would complement the California Teleconnect Fund (CTF), the state's health and education support program which subsidizes telecommunications and internet access services for public and non-profit hospitals and clinics.³

Staff recommends the CPUC take the following positions:

- Support the FCC's proposal to replace the existing Internet Access Program with the proposed Health Broadband Service Program, which would subsidize 50% of an eligible rural health care provider's recurring monthly costs for any advanced telecommunications and information services that provide point-to-point broadband connectivity, including Dedicated Internet Access.

A higher level of federal support would help encourage health care providers to participate in the program. Today, the California Teleconnect Fund (CTF) provides a 50% discount on select telecommunications and internet access services to hospitals and health care organizations. The CTF continues to experience a high application rate among health care organizations, having approved 363 within the past eighteen months. A 50% discount would benefit California's health care entities.

- As a way to increase in participation in the Health Broadband Service Program, recommend that the FCC provide more than a 50% discount for health care providers that can show additional need using a standard metric such as the Matrix Discount Mechanism utilized under the E-rate program.

Despite the 50 percent discount, some health care facilities may still be unable to afford the broadband subscription. Thus, California should recommend that the FCC may consider utilizing a similar discounting matrix system used by USAC for schools and libraries which may increase participation in the health broadband service program.⁴

- Support the FCC's proposal to expand the definition of "eligible health care provider" to include acute care facilities that provide services traditionally provided at hospitals, such as skilled nursing facilities and renal dialysis centers.

³ The CTF also provides subsidies for schools, libraries, and community colleges.

⁴ The additional discount level would depend on the health care provider's level of financial need. See 47C.F.R Section 54.505 (c) for USAC matrix.

The CTF currently supports community-based nonprofits that offer health care services to their communities. The majority of these are not hospitals, but are non-profit organizations offering services traditionally received at hospitals. These facilities would benefit from an expansion of the eligible health care provider definition.

- Recommend extending eligibility for broadband services discounts to public and nonprofit health care providers *in urban areas*, if the program is still underutilized after one year of experience under the new rules. However the FCC should give priority to rural applicants in any given year.

If the program is still underutilized after one year, the FCC should open the program to urban health care providers. California supports funding broadband connectivity for health care providers regardless of geographic location. To increase broadband subscription if the fund is still underutilized, the FCC should extend the 50% discount based on a facility's financial need for broadband access support regardless of the facility's geographic location. Rural health care providers should be given priority in any funding year however.

- Recommend adopting a financial need-based criterion to prioritize funding for the broadband services discount program if the \$400 Million annual funding limit is reached.
- In regards to the proposed Health Infrastructure Program, support the FCC's proposal to use broadband mapping studies, such as NTIA's national broadband map, state or local broadband maps, and other mapping sources to depict the available broadband in proposed network areas.

Maps represent an independent check of the availability of broadband service in an applicant's proposed areas. Maps would provide those reviewing the applications with a clear visual representation of an applicant's need for funding for broadband infrastructure.

CONCLUSION: For the above reasons, staff recommends that the CPUC file comments in this docket consistent with the foregoing recommendations.

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