

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

**Rural Health Care Fund**  
**Fund Size Requirements for First Quarter 1998**

1. **Introduction**

The Rural Health Care Corporation (RHCC), hereby submits this filing<sup>1</sup> in accordance with section 54.709(a)(3) of the Federal Communications Commission's (FCC or Commission) rules.<sup>2</sup> This filing details fund size requirements for first quarter 1998 for the Rural Health Care Fund.

Upon approval by the Commission<sup>3</sup>, telecommunications companies that offer eligible discounted services to rural health care providers will receive funds in accordance with the Commission's rules beginning January 1, 1998. The Commission directed the corporation establish a "window period" for filing Universal Service fund applications during which all applicants will be given equal priority.<sup>4</sup> The window period will begin on the date that the web site is operational and the Corporation begins to receive applications for support. The Rural Health Care Corporation had decided that all applications filed during an initial 60-day window will be treated as if simultaneously

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<sup>1</sup> RHCC has authorized the National Exchange Carrier Association, Inc. (NECA) to file on its behalf.

<sup>2</sup> 47 C.F.R. § 54.709 (a)(3).

<sup>3</sup> Pursuant to § 54.709(a)(3) of the Commission's rules, if the Commission takes no action within 14 days of the date of public notice of the filing, it shall be deemed approved by the Commission. See 47 C.F.R. § 54.709(a)(3).

<sup>4</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Third Report and Order*, 62 Fed. Reg. 56118 (October 29, 1997).

received. All completed applications and funding requests (FCC Forms 465, 466 and 468)<sup>5</sup> received from the first to the 60th day will be treated equally.<sup>6</sup> It may take seven additional days to enter paper copies of forms received towards the end of the window into the system. However, all three forms must be received by the 60th day in order to be included in the window.

## II. Rural Health Care Fund

The Commission's Universal Service Order<sup>7</sup> outlined a plan to ensure that all eligible rural health care providers<sup>8</sup> have affordable telecommunications services equivalent to those available in urban areas. The plan created a fund to lower the prices paid by rural health care providers for telecommunications services. Pursuant to the Commission's rules,<sup>9</sup> this fund is capped at \$400 million per funding year. The Commission appointed NECA to temporarily administrate, through an independent, non-profit subsidiary, billing and collection for support mechanisms which will fund the

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<sup>5</sup> FCC Form 465, Description of Services Requested and Certification; FCC Form 466, Services Ordered and Certification; FCC Form 468, Telecommunications Service Providers Support; Office of Management and Budget approval pending.

<sup>6</sup> The funding commitment decision is made based on the information contained in FCC Forms 466 and 468. Therefore, it is essential that requests for funding commitments (FCC Forms 466 and 468) be received within the sixty-day window.

<sup>7</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Report and Order*, 12 FCC Rcd 8776 (1997) (Universal Service Order).

<sup>8</sup> The term "health care provider" is defined in § 47 U.S.C. § 254(h)(5)(B) to mean: (i) post-secondary educational institutions offering health care instruction, teaching hospitals and medical schools; (ii) community health centers or health centers providing health care to migrants; (iii) local health departments or agencies; (iv) community mental health clinics; (v) not-for-profit hospitals; (vi) rural health clinics; and (vii) consortia of health care providers consisting of one or more entities described in clauses (i) through (vii). (See Universal Service Order, at fn 1554.)

<sup>9</sup> 47 C.F.R. § 54.623(a).



universal service programs. The Commission ordered NECA to incorporate an independent, non-profit subsidiary to perform these duties, Universal Service Administrative Company (USAC), and two, non-profit, unaffiliated corporations, the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC).

USAC will administer, temporarily, the universal service support mechanisms for high cost areas and low-income consumers, as well as billing, collection and disbursement functions for schools, libraries and rural health care providers. RHCC will provide all other rural health care functions, such as administering the application process, creating and maintaining a web site to post service applications, and performing outreach and public education functions needed to administer the rural health care program. NECA is assisting RHCC with initial start-up functions.

Pursuant to the Universal Service Order, the funding requirement is \$100 million for first quarter 1998.<sup>10</sup> This amount includes 1997 start-up costs and first quarter 1998 expenses and funding for the rural health care program. There will also be a credit offset for interest earned on funds

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<sup>10</sup> Universal Service Order at para. 715. Because there is no historical data to accurately estimate demand for the first year of this program, the Commission directed the administrator to collect \$100 million for the first quarter of 1998 and to adjust future contribution assessments quarterly based on its evaluation of health care providers demand for funds, within the limits of the spending caps.

between collection and contribution dates. Expenses and interest income for the first quarter 1998<sup>11</sup> are estimated as follows (amounts in thousands):

|                                  |                 |
|----------------------------------|-----------------|
| 1Q 1998 Expenses                 | \$1,374         |
| Expenses from USAC               | \$ 229          |
| 1997 Start-up Expenses from NECA | \$ 561          |
| Interest Income <sup>12</sup>    | <u>(\$ 605)</u> |
| Total                            | <u>\$ 1,559</u> |

This will provide funding for the program during the first quarter of \$98.4 million. Exhibit 1 shows more detail behind the corporate 1998 budget estimates and the amount reflected in the first quarter.

Pursuant to the Commission's rules,<sup>13</sup> the next filing will be on or before January 30, 1998. That filing will detail fund size requirements for second quarter 1998 for the Rural Health Care Fund.

Respectfully submitted,

NATIONAL EXCHANGE CARRIER ASSOCIATION  
on behalf of the  
RURAL HEALTH CARE CORPORATION

/s/William E. Stern  
William E. Stern  
100 South Jefferson Road  
Whippany, New Jersey 07981

October 31, 1997

<sup>11</sup> See Exhibit 1 for Rural Health Care Corporation 1998 Budget Estimates. These 1998 estimates will be modified as the RHCC gains operating experience.

<sup>12</sup> The interest income assumption is based on the quarterly billing and receipt of funds, pursuant to the Commission's rules, from the contributors. See 47 C.F.R. § 54.709(a)(4). The USAC board, based on a recommendation of its High Cost and Low Income Committee, has indicated that it will ask the Commission that monthly rather than quarterly contributions by the service providers be made to fund the various programs. If this change occurs, the interest income will be adjusted as well.

<sup>13</sup> 47 C.F.R. § 69.620(b).

**Exhibit 1**

**Rural Health Care Corporation  
1998 Budget Estimate  
(Amounts in thousands)**

|                          |                       |
|--------------------------|-----------------------|
| Compensation & Benefits  | \$2,684               |
| Personnel Expenses       | 135                   |
| Travel                   | 103                   |
| Data Systems Consultants | 250                   |
| Banking Fees             | 50                    |
| Board Expenses           | 32                    |
| Miscellaneous            | 198                   |
| Insurance                | 98                    |
| External Audit           | 40                    |
| Taxes                    | 10                    |
| Bulk Mailings            | 60                    |
| Date Entry Outsource     | 215                   |
| System Costs             | 289                   |
| Cost Allocation          | <u>1,332</u>          |
| <b>Total</b>             | <b><u>\$5,496</u></b> |

|                                   | <u>Annual</u>         | <u>1<sup>st</sup> Quarter</u> |
|-----------------------------------|-----------------------|-------------------------------|
| 1998 Expenses RHCC                | \$5,496               | \$1,374                       |
| 1998 Expenses from USAC           | 914                   | 229                           |
| 1997 Start up Expenses from NECA  | 561                   | 561                           |
| 1998 Interest Income RHCC         | <u>(2,496)</u>        | <u>(605)</u>                  |
| <b>Total</b>                      | <b><u>\$4,475</u></b> | <b><u>\$1,559</u></b>         |
| <br>                              |                       |                               |
| Program Collection                |                       | \$100,000                     |
| Administration Expense Projection |                       | <u>1,558</u>                  |
| Funds for Program                 |                       | <b><u>\$ 98,442</u></b>       |