

2006 Rural Health Care Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

January 23, 2006

MINUTES

The Rural Health Care Committee of the Universal Service Administrative Company (USAC) Board of Directors held a quarterly meeting at USAC's Offices in Washington, D.C. on Monday, January 23, 2006. Ms. Hughes, Chair of the Committee, called the meeting to order at 11:32 a.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager for USAC, called the roll. All eight members of the Committee were present, representing a quorum:

Barash, Scott, Acting CEO
Duff, Bridget
Hughes, Alison – Chair – *by telephone*
Jackson, Jimmy – *by telephone*

Jortner, Wayne – *by telephone*
Sanders, Dr. Jay – *by telephone*
Sanford, Jo Anne – *by telephone*
Talbott, Dr. Brian – *by telephone*

Other Board members and Officers of the Corporation present:

Eichler, Edwin
Belden, Richard – Chief Operating Officer
Blackwell, Mel – VP, Rural Health Care Division
Capozzi, David – Acting General Counsel
Erwin, WB – VP, Finance
Flannery, Irene – Senior VP of Programs

Others present for the meeting:

| NAME | COMPANY |
|------------------|---------|
| Faunce, Donna | USAC |
| Lamoureux, Renee | USAC |

ACTION ITEMS:

- a1. Approval of Rural Health Care Committee Meeting Minutes of Monday, October 24, 2005.** On a motion duly made and seconded, the Committee approved as written the minutes of Monday, October 24, 2005.
- a3. Approval of 2006 Annual and 2nd Quarter 2006 Rural Health Care Support Mechanism Programmatic Budget.** Ms. Faunce, USAC Senior Budget & Reporting Analyst, introduced this item indicating that no significant changes to the annual budget were being proposed at this time.

On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee approves a 2nd Quarter 2006 Rural Health Care Support Mechanism budget of \$1,460,900; and

RESOLVED FURTHER, that the USAC Rural Health care Committee approves an annual 2006 Rural Health Care Support Mechanism budget of \$5,200,100.

- a4. Approval of 2nd Quarter 2006 Rural Health Care Support Mechanism Projections and Resolution on the January 31, 2006, FCC Filing.** Mr. Blackwell introduced this item and addressed questions regarding the Rural Health Care Support Mechanism funding projections for the 2nd Quarter 2006.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on January 23, 2006, a summary of the 2nd Quarter 2006 Rural Health Care Support Mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required March 2, 2006 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the variance is equal to or less than \$0.5 million, or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but no more than \$1.0 million.

There being no further business, Ms. Hughes adjourned the meeting at 11:37 a.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

March 1, 2006

MINUTES

A meeting of the Rural Health Care Committee of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Wednesday, March 1, 2006. Mr. Barash, Acting Chief Executive Officer of USAC, called the meeting to order at 5:18 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Seven of the eight members were present, representing a quorum:

Barash, Scott – Acting CEO
Duff, Bridget – *by telephone*
Jackson, Jimmy – *by telephone*
Jortner, Wayne – *by telephone*
Kragel, Dr. Peter – *by telephone*
Sanders, Dr. Jay – *by telephone*
Williams, Jason – *by telephone*

Committee members not present:

Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

Banks, Jonathan – *by telephone*
Baker, Dave – *by telephone*
Berlyn, Debra – *by telephone*
Bryant, Anne – *by telephone*
Campbell, Anne – *by telephone*
Hess, Kevin – *by telephone*
Joseph, Kevin – *by telephone*

Lee, Jonathan – *by telephone*

Talbott, Dr. Brian – *by telephone*

Others present for the meeting:

| NAME | COMPANY |
|------------------|---------|
| Beaver, Tracey | USAC |
| Lamoureux, Renee | USAC |

ACTION ITEMS:

- a1. Annual Election of Committee Chair and Vice Chair.** Mr. Barash introduced this item to the Committee reporting that the Nominating Committee met on February 24, 2006, and at that meeting approved resolutions recommending that, among other things, the Board elect committee chairs and vice chairs. Mr. Barash also noted that on March 1, 2006, immediately prior to the Committee meeting, the full Board of Directors elected the Chair and Vice Chair subject to ratification of the Committee, which is being sought in the proposed resolution.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee fully ratifies the actions of the USAC Board of Directors taken in a meeting on March 1, 2006 in electing **Dr. Jay Sanders** as Chair and **Dr. Peter Kragel** as Vice Chair of the USAC Rural Health Care Committee, each for a term that began immediately following the conclusion of the meeting and ending when such person's successor has been elected or when such person resigns from the Rural Health Care Committee or the Board, is removed by resolution of the Board or such person's Board term expires.

There being no further business, Mr. Barash adjourned the meeting at 5:19 p.m.

/s/ David A. Capozzi

David A Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

July 24, 2006

MINUTES

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, D.C., on Monday, July 24, 2006. Dr. Jay Sanders, Chair of the Committee, called the meeting to order at 11:30 a.m. Eastern Time. Ms. Everett, Administrative Assistant, called the roll. All eight Committee members were present, representing a quorum:

Barash, Scott – Acting CEO
Duff, Bridget
Jortner, Wayne
Sanford, Jo Anne

Sanders, Jay – Chair
Williams, Jason

Kragel, Peter – Vice Chair

Jackson, Jimmy – *by telephone* Other Board Members and Officers of the corporation present:

Talbott, Dr. Brian – Chairman of the Board
Simon, Phyllis – Board member
Belden, Richard – Chief Operating Officer
Blackwell, Mel – VP, Rural Health Care Division and
Acting VP, Schools and Libraries Division
Capozzi, David – Acting General Counsel
Erwin, WB – VP of Finance
Flannery, Irene – Sr. VP, External Relations
Holcombe, Jamie – VP, Information Systems
Scott, Wayne – VP, Internal Audit

Others present for the meeting:

| NAME | COMPANY |
|--------------------|--------------|
| Beard, Jay | USAC |
| Briddell, Chris | USAC |
| Cameron, Debbie | BearingPoint |
| Desrocher, Michael | USAC |
| England, William | USAC |

| NAME | COMPANY |
|--------------------|--------------|
| Everett, Beth | USAC |
| Faunce, Donna | USAC |
| Goff, Elisabeth | USAC |
| Grant, Colleen | USAC |
| Hughes, Jeff | USAC |
| Johnson, Daniel | USAC |
| Klaffky, John | BearingPoint |
| LeNard, David | USAC |
| Lenhardt, Chris | USAC |
| Lipka, Jodi | FCC |
| Mensah, Sophia | USAC |
| Moorin, Howard | BearingPoint |
| Rasmussen, Mary | USAC |
| Whitaker, Michelle | USAC |
| Yasir, Alisa | FCC |

ACTION ITEMS:

- a1. Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the USAC Rural Health Care Committee meeting of Monday, April 24, 2006.
- a2. Approval of 4th Quarter 2006 Rural Health Care Support Mechanism Programmatic Budget.** Mr. Erwin introduced this item to the Committee. In his presentation, Mr. Erwin noted that:
- No changes were proposed to the Rural Health Care Programmatic budget for 4th Quarter 2006 of \$820,100.
 - The largest line item in the budget is the Solix contract for program support services at \$639,900.
 - The Improper Payment Information Act audits to be conducted in coordination with the FCC Office of Inspector General (OIG) are budgeted at \$200,000 in 4th quarter (\$800,000 for the year). Work is expected to begin on these audits soon.
 - The budget provides for three full time employees.
 - The 2006 annual budget is \$3,936,600, which is \$788,142 higher than the 2005 actual expenditures and \$543,000 higher than the 2005 budget. The variance is primarily due to the IPIA audits.

On a motion duly made and seconded and following discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee approves a 4th Quarter 2006 Rural Health Care Support Mechanism budget of \$820,100.

- a3. Approval of 4th Quarter 2006 Rural Health Care Support Mechanism Demand Projection for the August 2, 2006 FCC Filing.** Mr. Blackwell introduced this item to the Committee and clarified, following a question from Dr. Sanders, that variances attributed to increases as well as

decreases in projections require Chair or full committee approval when exceeding the thresholds (listed below).

On a motion duly made and seconded and following discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on July 24, 2006, a summary of the 4th Quarter 2006 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required August 2, 2006, filing to the FCC. USAC staff may make adjustments if the variance is equal to or less than \$0.5 million, or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but not more than \$1.0 million.

- a4. Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement - Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed would compromise USAC's negotiation strategy to the detriment of the company, the Universal Service Fund, and the universal service support programs.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee determines that consideration of the course of action concerning the Schools and Libraries and Rural Health Care Program Support Services Agreement shall be conducted in *Executive Session*.

a5. Miscellaneous.

- Solicit ideas for the July 2006 Committee agenda. Dr. Sanders reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. Rural Health Care Support Mechanism Update.** Mr. Blackwell provided an update on the Rural Health Care Support Mechanism operations, including an overview on the expanded outreach efforts being made by the team.

At 11:44 a.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a4. Course of Action for Rural Health Care Support Mechanism Program Support Services.** Mr. Barash introduced this item to the Committee. Committee members discussed the proposed courses of action set forth by USAC management and questioned staff concerning the pros and cons of each approach.

On a motion duly made and seconded and following discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee, having considered alternative courses of action with regard to performance of support services for the Schools and Libraries and Rural Health Care Programs, hereby authorizes USAC management to pursue the third recommended option, continue appropriate discussions with Federal Communications Commission staff, and initiate negotiation of a program support services agreement with Solix, Inc. based on the strategy and proposed course of action outlined above.

At 12:14 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move out of ***Executive Session*** and reconvene in open session at which time Mr. Sanders reported that the Committee considered and took action on Action Item a4 above.

On a motion duly made and seconded, the Committee adjourned at 12:22 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

October 23, 2006

MINUTES

The quarterly meeting of the Rural Health Care Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, D.C., on Monday, October 23, 2006. Dr. Jay Sanders, Chair of the Committee, called the meeting to order at 11:33 a.m. Eastern Time. Six of seven Committee members were present, representing a quorum:

Barash, Scott – Acting CEO

Sanders, Dr. Jay – Chair

Jortner, Wayne

Kragel, Dr. Peter – Vice Chair

Sanford, Jo Anne

Jackson, Jimmy

Jason Williams joined the meeting at 11:43 a.m. Eastern Time. He did not vote on items a1, a2 and a3 below.

Other Board Members and Officers of the corporation present:

Talbott, Dr. Brian – Chairman of the Board

Simon, Phyllis – Board member

Belden, Richard – Chief Operating Officer

Blackwell, Mel – VP, Schools and Libraries Division

Capozzi, David – Acting General Counsel

England, Bill – VP, Rural Health Care Division

Erwin, WB – VP of Finance

Holcombe, Jamie – VP, Information Systems

Scott, Wayne – VP, Internal Audit

Others present for the meeting:

| NAME | COMPANY |
|--------------------|--------------|
| Beard, Jay | USAC |
| Briddell, Chris | USAC |
| Desrocher, Michael | USAC |
| Faunce, Donna | USAC |
| Fox, Claudia | FCC |
| Goff, Elisabeth | USAC |
| Grant, Colleen | USAC |
| Hughes, Jeff | USAC |
| Johnson, Daniel | USAC |
| Klaffky, John | BearingPoint |
| LeNard, David | USAC |
| Lenhardt, Chris | USAC |
| Marcus, Jeremy | FCC |
| Morrow, Henry | FCC |
| Olsen, Erica | FCC |
| Rodriguiz, Jose | FCC |
| Whitaker, Michelle | USAC |

On behalf of the Committee, Dr. Sanders welcomed Bill England as the recently appointed Vice President, Rural Health Care Division, and thanked Mel Blackwell for his many contributions and long tenure as Vice President, Rural Health Care Division, and wished him many successes in his position as Vice President, Schools and Libraries Division.

ACTION ITEMS:

- a1. **Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the USAC Rural Health Care Committee meeting of July 24, 2006.

- a2. **Approval of 1st Quarter 2007 Rural Health Care Support Mechanism Programmatic Budget and Information on the Estimated 2007 Annual Budget.** Mr. Erwin introduced this item to the Committee. In his presentation, Mr. Erwin noted that the 1st Quarter 2007 programmatic budget of approximately \$1.6 million is \$647,000 higher than the 1st Quarter 2006 budget, and the estimated 2007 annual programmatic budget of \$5.6 million is \$2.2 million higher than the final 2006 programmatic budget. The increase is primarily attributable to: (i) higher audits costs for IPIA audits of which there are 90 that are projected to cost \$2.3 million; and (ii) funding for 50 planned site visits in 2007.

On a motion duly made and seconded and following discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee approves a 1st Quarter 2007 Rural Health Care Support Mechanism budget of \$1,563,400.

- a3. Approval of 1st Quarter 2007 Rural Health Care Support Mechanism Demand Projection for the November 2, 2006 FCC Filing.** Mr. England introduced this item to the Committee. In his presentation, he mentioned that another 150 packets for Funding Year 2005 were complete and the application process for Funding Year 2006 is underway, which he expects will result in demand exceeding the \$100 million program cap.

On a motion duly made and seconded and following discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee, having reviewed at its meeting on October 23, 2006, a summary of the 1st Quarter 2007 Rural Health Care Support Mechanism demand estimate, including administrative costs, hereby directs USAC staff to proceed with the required November 2, 2006, filing to the FCC. USAC staff may make adjustments if the variance is equal to or less than \$0.5 million, or may seek approval from the Rural Health Care Committee Chair to make adjustments if the variance is greater than \$0.5 million but not more than \$1.0 million.

a4. Miscellaneous.

- Solicit ideas for the January 2007 Committee agenda. Dr. Sanders reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. Rural Health Care Support Mechanism Update.** Mr. Barash introduced to the Committee Mr. Jeremy Marcus, Chief, Telecommunications Policy and Access Division, of the FCC's Wireline Competition Bureau, Ms. Erica Olsen, of the Wireline Competition Bureau, and Ms. Claudia Fox of the FCC's Public Safety and Homeland Security Bureau. Mr. Marcus provided a presentation to the Committee on the FCC's planned pilot program to help public and non-profit health care providers build state and region-wide broadband networks dedicated to the provision of health care services and connect those networks to Internet2 pursuant to the order released by the

FCC on September 29, 2006.¹ Mr. Marcus, Ms. Olsen and Ms. Fox then took questions from the Committee.

Following the discussion with representatives from the FCC, Mr. England provided a general support mechanism update. In his presentation, Mr. England mentioned that to date \$5 million has been committed for Funding Year 2006. Program outreach is being done to all states, targeting especially those with lower representation in the program compared to other states. Mr. England also distributed to members of the Committee charts containing various program statistics, including participation rates.

- i2. **Update on the Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed would compromise USAC's negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and the company.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee determines that the update on the course of action concerning Schools and Libraries and Rural Health Care program support services shall be conducted in *Executive Session*.

- i3. **Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee.

At 12:34 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- i2. **Update on the Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash presented this item to the Committee, which the Committee and USAC management then discussed.

¹ See *In the Matter of the Rural Health Care Support Mechanism*, FCC 06-144 (rel. September 29, 2006).

At 12:37 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move out of ***Executive Session*** and reconvene in open session at which time Mr. Sanders reported that the Committee discussed item i2 above.

On a motion duly made and seconded, the Committee adjourned at 12:39 p.m. Eastern Time.

/s/ David A. Capozzi

David Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care Committee Meeting

December 19, 2006

MINUTES

A non-quarterly, joint meeting of the Board of Directors, Rural Health Care Committee (Committee) and Schools and Libraries Committee of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, December 19, 2006. At the request of Dr. Jay Sanders, Chair of the Committee, Mr. Barash called the meeting to order at 1:00 p.m. Eastern Time. Four of seven Committee members were present, representing a quorum:

Barash, Scott – Acting CEO
Jortner, Wayne – *by telephone*

Kragel, Dr. Peter – Vice Chair – *by telephone*
Sanders, Dr. Jay – Chair – *by telephone*

Members of the Committee not present:

Jackson, Jimmy
Sanford, Jo Anne
Williams, Jason

Other Members of the Board and Officers of the corporation present:

Banks, Jonathan – Member of the Board
Belden, Richard – Chief Operating Officer
Berlyn, Debra – Member of the Board
Blackwell, Mel – VP, Schools and Libraries Division
Bryant, Dr. Anne – Member of the Board
Campbell, Anne – Member of the Board
England, Bill – VP, Rural Health Care Division
Flannery, Irene – Senior VP, External Relations
Hess, Kevin – Member of the Board
Scott, Wayne – VP, Internal Audit
Simon, Phyllis – Member of the Board
Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

| NAME | COMPANY |
|------------------|----------------------------|
| Bellavia, Leslie | USAC |
| Carroll, Kristy | USAC – <i>by telephone</i> |

| NAME | COMPANY |
|------------------|---------|
| Eisley, Andy | USAC |
| Morrow, Henry | FCC |
| Nuzzo, Patsy | USAC |
| Short, Don | USAC |
| Trew, Anne Marie | USAC |

ACTION ITEMS:

- a1. Consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract negotiations*, and public disclosure of the matters discussed would compromise USAC’s negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee determines that consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement shall be conducted in *Executive Session*.

At 1:07 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a1. Consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash introduced this item to the Committee.

On a motion duly made and seconded and after discussion and questioning of Mr. Barash by Board members on matters including project goals, information technology investments required and contract pricing, the Committee adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee, having considered the new Schools and Libraries and Rural Health Care Program Support Services Agreement between USAC and Solix, Inc. proposed by management, hereby recommends to the USAC Board of Directors that management be authorized to finalize all remaining terms and conditions in the proposed agreement; and

RESOLVED FURTHER, that in finalizing such terms and conditions, if any material terms of the proposed agreement change, the USAC Rural Health Care Committee

hereby recommends to the USAC Board of Directors that management be required to submit the proposed agreement to the Executive Committee of the Board of Directors for further consideration; and

RESOLVED FURTHER, that upon finalizing the terms and conditions of the proposed agreement and subject to obtaining any necessary approvals from the Federal Communications Commission, the USAC Rural Health Care Committee hereby recommends the USAC Board of Directors authorize management to execute the proposed agreement with Solix, Inc. and proceed with its implementation.

At 1:41 p.m. Eastern Time, the Committee adjourned from *Executive Session* and reconvened in open session at which time Mr. Barash reported that the Committee considered and took action on item a1 above.

On a motion duly made and seconded, the Committee adjourned at 1:42 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary