



## HEALTHCARE CONNECT FUND: UNDERSTANDING A \$400 MILLION OPPORTUNITY

In today's healthcare arena, high-speed, high-quality broadband access is essential. Most health care providers (HCPs), hospital administrators, nursing staff, clinics and the patients they serve are enjoying the many benefits that high-speed connectivity delivers to the medical field. Some of the advancements that broadband makes possible include electronic medical records (EMRs), telemedicine and home health applications, digital imaging, e-prescriptions and support for robust medical practice/back office management systems, to name just a few.

While this is certainly true in urban areas across the U.S., most HCPs serving the nation's rural areas continue to lack the ubiquitous and scalable infrastructure required to support broadband access and those valuable applications. There are some rural areas where broadband infrastructure does exist, but services often are too costly or unreliable to for rural HCPs to use routinely.

As a result, many rural HCPs are falling behind their urban counterparts. Perhaps even more importantly, patients in rural America are not able to interact with medical professionals and specialists that they could otherwise consult with via broadband Internet connections.

### Getting Rural America Up to Speed: The Healthcare Connect Fund

#### Universal Service Funds to the Rescue

Fortunately for rural HCPs, U.S. Universal Service funds, which were first used to help ensure people living in rural areas have the same access to voice service as people in urban areas and more, are increasingly being employed in programs designed to improve rural healthcare nationwide. The Universal Service Administrative Company (USAC) administers these rural

health care programs, which are created by the Federal Communications Commission (FCC).

Today, the FCC's recently updated Healthcare Connect Fund (HCF) is providing exciting new opportunities for rural HCPs, as well as other entities that are focused on providing health care services and health education to rural areas. The HCF's main purpose is to encourage rural HCPs to create large consortia of eligible participants and that build fiber networks in rural areas where there are typically no such facilities. Once they are built, the consortia can operate the networks themselves or ask commercial service providers to manage them. Individual participants also may use HCF funds simply to purchase broadband services from telecommunications service providers at a discount.

The HCF program makes all of this possible by providing eligible HCPs or consortia with yearly, renewable 65% subsidies to offset costs associated with engineering, building and implementing high-speed broadband networks. The program also provides a 65% discount on the cost of the high-speed broadband services that HCPs or consortia obtain from telecommunications service providers.

#### A Little History

In 1998, the FCC used Universal Service funds to create the Telecommunications Fund. The fund provided public and non-profit rural HCPs with subsidies to offset their costs for "plain old telephone service" (POTS), point-to-point and bundled T-1 connections and other point-to-point services.

The program offered rural HCPs a grand total of \$400 million annually. Participating rural HCPs received subsidies that were determined by the difference in cost between urban and rural rates for equivalent services. In 2003, the FCC added a flat 25% discount to help program participants partially offset their burgeoning Internet access expenses. This subsidy still exists and under the Telecommunications Program.

Unfortunately, the subsidies did very little to increase rural HCP's access to high-speed, broadband connections, and most of the \$400 million in the fund was left unused. In 2007, the FCC took steps to solve those problems by increasing participation and encouraging more infrastructure projects by launching the \$364 million Rural Health Care (RHC) pilot program.

RHC pilot program participants received 85% subsidies to fund 50 regional and statewide high-speed broadband healthcare networks in 39 states. The projects ranged from networks that connected a few clinics across one or several counties, to statewide broadband networks that connected hundreds of HCPs.

The pilot's success set the stage for the HCF, which got its official start in 2012. In addition to spurring deployment of high-speed networks and making it easier for rural HCPs to pay for broadband services, the FCC's final goal for the HCF is to maximize the cost effectiveness of the program. Participants currently have \$400-million-per-year set aside for them. As soon as these funds are utilized to the fullest, the amount of yearly funding has the potential to grow substantially in size, according to MiCTA, a national non-profit association of higher education, K12, government and other non-profits, which helped to write the FCC order that created the HCF.

## Who Can Participate?

Looking to generate as much opportunity and participation as possible, a wide variety of rural-focused health-care related entities are eligible to receive HCF subsidies. Potentially eligible individual entities or consortia members include: public or not-for-profit rural HCPs such as hospitals, health clinics, community health centers, community mental health centers or migrant health centers.

Also eligible are locally based health departments, agencies and clinics, as well as post-secondary educational institutions, teaching hospitals and medical schools. Even urban HCPs can participate if they belong to a consortium comprised of 51% rural HCPs.

Participants that are accepted into the program may use their subsidies to help pay for more than just broadband infrastructure and services. They can use their funds to cover eligible installation charges and equipment, connections to off-site administrative

offices or data centers, and connections to research and education networks.

The HCF provides eligible consortia with funds for necessary network equipment and up-front charges for deployment of new or upgraded facilities, including dark fiber. Up-front funding also is available to them for facilities that consortia members build and own, if that is the most effective option.

## More than Money

As the number of HCF-inspired and -funded high-speed, broadband networks grows, rural HCPs are reaping benefits that extend well beyond lower costs, more bandwidth and better quality connections. Those three things alone enable rural HCPs to lower their administrative costs and share medical, administrative and technical expertise with one another.

Furthermore, being able to use the Internet and emerging telemedicine apps to work with medical specialists and other resources that cannot be found in rural America enables rural HCPs to provide higher quality care to their patients. Rural HCPs involved in the program also are able to use their broadband connections to launch or access remote training classes for their personnel. This in turn enables them to expand the breadth and expertise of their organizations much more quickly than was previously possible.

## How it Works

HCF funding begins on July 1 each year. To receive funds, potential participants and consortia must organize themselves and submit letters of agency to USAC to determine their eligibility for the program. Next they must file a request for services.

Consortia applicants also must submit a detailed network plan and a request for proposal (RFP) for any resources or equipment they are seeking. Once the bids are in, they must submit the most cost-effective ones, along with a request for a funding commitment for the year, to USAC.

MiCTA membership streamlines the application process considerably by eliminating some of the paperwork and the need for RFPs. Entities that are not members of the group can partner with consultants

or other parties that are MiCTA members to enjoy those exemptions, too. Once participants' requests are approved they can begin receiving their requested services. They are billed for, and must pay for, 35% of the cost of those services. USAC directly pays their vendors and service providers the remaining 65%.

## Connecting the Dots

The HCF program is very much like the \$3.9 billion E-Rate program, also created by the FCC and administered by USAC, which helps schools across the U.S. purchase the telecommunications and Internet services they need. Many telecommunications service providers navigate E-Rate successfully by coming alongside consultants that focus on the program. This enables them to maximize their potential and profits serving E-Rate customers. Interestingly, the FCC is currently transforming E-Rate to more closely resemble the HCF program.

As with E-Rate, telecommunications service providers that want to get involved in HCF contracts benefit from partnering with HCF consultants. Most HCF participants need to connect with service providers for their Internet service. In addition, consortia with

large networks often are looking for service provider partners to manage them. Consultants that specialize in HCF know the program's terrain as well as its participants and their changing needs.

Finley Engineering, Lamar, Mo., is an HCF consultant to many eligible entities. The company's HCF team is led by Reg Givens, IP project manager. Prior to joining Finley, Givens personally spearheaded the creation of an HCF-funded network for the Eastern Kansas Health Network consortium in 2013-14. Today, Givens uses his experience to help HCF participants create consortia, design networks and turn in the proper paperwork on time. However, as a MiCTA member, the Finley team is able to streamline much of the HCF process for its partners.

Because of its expertise and day-to-day involvement in the HCF program, Finley is able to help telecommunications service providers navigate the program and make timely connections with HCF participants that are in need of high-speed services, Internet connections, or help managing their networks. RFPs are posted daily and Finley is well positioned to help recommend service providers that can respond to them quickly.

For more information call Reg Givens at (417) 681-5316 or send an e-mail to [r.givens@fecinc.com](mailto:r.givens@fecinc.com).

### Products and Services eligible for the HCF funding

Eligible Services and Equipment			
		Individual	Consortium
1	<b>Eligible Services</b>	✓	✓
2	<b>Reasonable &amp; Customary Installation Charges</b> (≤\$5,000 undiscounted cost)	✓	✓
3	<b>Lit Fiber Lease</b>	✓	✓
4	<b>Dark Fiber</b>		
	Recurring charges (lease of fiber and/or lighting equipment, recurring maintenance charges)	✓	✓
	Upfront payments for IRUs, leases, equipment	No	✓
5	<b>Connections to Research &amp; Education Networks</b>	✓	✓
6	<b>HCP Connections Between Off-Site Data Centers &amp; Administrative Offices</b>	✓	✓
7	<b>Upfront Charges for Deployment of New or Upgraded Facilities</b>	No	✓
8	<b>HCP-Constructed and Owned Facilities</b>	No	✓
9	<b>Eligible Equipment</b>		
	Equipment necessary to make broadband service functional	✓	✓
	Equipment necessary to manage, control, or maintain broadband service or dedicated health care broadband network	No	✓