

# Reforming the Universal Service Fund

May, 2003

National Rural Health Association

The 1996 Federal Telecommunications Act provided funding to assist certain rural not-for-profit health care providers with telecommunications services necessary for the provision of health care. The program, called Universal Service Fund, can finance up to \$400 million annually, so that rural health care providers pay no more than their urban counterparts for the same or similar telecommunication services. To date, more than 1,600 rural health care providers have received Universal Services funding to reduce the cost of their telecommunications services.

To be eligible, the rural health care provider must be a public or not-for-profit organization categorized as one of the following:

- Post-secondary educational institution offering health care instruction, teaching hospital or medical school
- Community health center or health center providing health care to migrants
- Local health department or agency
- Community mental health center
- Not-for-profit hospital
- Rural health clinic
- Consortia of health care providers consisting of one or more of the above entities

Funding is available for telecommunications services used for the provision of health care, which includes limited, long-distance charges for accessing the Internet. (Providers seeking only Internet access funding are not considered eligible.) The amount of funding depends on the health care provider's location and the type of service chosen -- it will be calculated individually for each provider. Providers may choose to keep their current service, or opt to take advantage of discounted upgrades or new service. A provider can find out its level of funding and what its total service charge will be before committing to a telecommunications service.

However, nursing homes, hospice, home health care, substance abuse treatment centers, emergency service providers and private (for-profit) physician clinics are currently not eligible for Universal Service funding.

## **POLICY RECOMMENDATIONS:**

- The existing policy constraint of not recognizing "consortia" as "entities" under any scenario clearly conflicts with regulatory simplification goals of this administration. NRHA recommends a broad-based definition for consideration for funding assistance.
- Outreach and education issues must be addressed to encourage greater participation in the program.
- The application process can be complex and confusing. To attract applicants, NRHA strongly recommends simplifying the process, thus eliminating the arduous task of filling out multiple forms and documents.

## NRHA Policy Brief

- Rules should be altered to allow comparison with rates in the largest city in a state, and not be limited to a city with a population of 50,000.
- By removing Maximum Allowable Distance (MAD), rural health care would allow greater flexibility in developing appropriate networks thus improving the delivery of health care in rural areas. Eliminating the MAD should also cut administrative costs by minimizing labor-intensive calculations and easing the complexity for the applicants. This supports streamlining the process.
- Often in rural areas, there is only a single telecommunications service provider. Where more than one does exist, a competitive bidding process has most likely taken place before the service provider was selected. In order to receive cost-effective rates, health care providers often enter into multi-year contracts with the service provider. The fact that health care providers have already taken these steps to reduce their telecommunications costs make them ineligible under the current rules of the Universal Service Program. We believe the 28-day posting window should be eliminated. When a contract is already in place, the additional step of bidding, added paperwork and delay are unnecessary. Allowing the current process to continue places undue burden on the HCPs, creating a barrier to receiving Universal Service funding, and serves no useful purpose. The health care provider should be commended, and not penalized, for having already taken steps to reduce their telecommunications costs.
- Many small rural hospitals, unable to compete with large urban medical centers, have been converted to nursing homes in order to survive. Nursing homes are now, more than ever, a fundamental component of the health care delivery system, especially in rural communities, and should be eligible for Universal Service funding. Private physician clinics provide necessary and much needed health care services in many rural areas and are often the only health care provider in an area. We feel they, too, should be eligible. Making nursing homes, hospice, home health care, substance abuse treatment centers, emergency service providers and private (for-profit) physicians clinics eligible under the Universal Service program is strengthening a critical part of the health care backbone in rural America.
- Rural health sites should be eligible for equipment/facility reimbursement charges associated with connecting the T-1.
- Currently, universal access funds are limited to improving broadband access for rural providers. Given the amount of funding available, and the low amount spent, the program funding should be directed toward improving and expanding telemedicine applications. This change would expand the scope, making it more similar to school and library fund usage.

*Questions in regard to this policy brief should be directed to the NRHA Government Affairs Office at 703/519-7910*

**Visit us on-line at [www.NRHArural.org](http://www.NRHArural.org)**



**National Rural Health Association**  
**One West Armour Blvd., Suite 203**  
**Kansas City, MO 64111-2087**  
**[www.NRHArural.org](http://www.NRHArural.org)**