The Healthcare Connect Fund (2013)

The Healthcare Connect Fund (HCF) was established in 2013, and directs up to $400 million annually from the Universal Service Fund toward supporting high capacity broadband services, designed to bring the benefits of telehealth to areas of the country in acute need of those services.

- **The Healthcare Connect Fund was born out of the Rural Health Care Pilot Program.** This pilot program was established in 2006 to help equalize the "urban-rural" difference and bring telehealth services to the under-subscribed. This program provided an 85% flat subsidy to participating Health Care Providers (HCPs) for the purchase of network equipment, long-term leases and indefeasible right of use (IRUs), construction of state or regional health care broadband networks and recurring services. Urban HCPs were able to participate, if part of a consortium with rural HCPs. As of December 2012, there are 50 active pilot projects under this program, covering 38 states and ranging in size from 4 to 477 HCPs. On July 9, 2012, the FCC extended the Pilot Program funding on a temporary basis for pilot project participants, who will exhaust Pilot funding before the end of the funding year, June 30, 2013. Participants under this pilot program may apply for HCF funding at a 65 percent discount. Starting July 1, 2013, funding will be available for existing Pilot projects. Starting January 1, 2014, support will be available for new consortia and individual HCP participants.

- **The Healthcare Connect Fund will replace the FCC's RHC Internet Access Program.** The Rural Healthcare Internet Access Program was created in 2003 by the Commission to enhance access to advanced telecommunications and information services for public and non-profit HCPs. This program provides a 25% discount off the cost of monthly internet access for eligible rural HCPs. Funding under this program will continue to June 30, 2014.

- **Eligible applicants include public and not-for-profit HCPs.** This includes:
  - Post secondary educational institutions offering health care instruction, teaching hospitals and medical school.
  - Community health centers or health centers providing health care to migrants
  - Local health departments or agencies
  - Community mental health centers
  - Not-for-profit hospitals
  - Rural health clinics
  - Consortia of HCPs consisting of one or more entities falling into the above six categories, but must be non-profit or public.

- **The Healthcare Connect Fund will provide a 65% flat subsidy for participating HCPs, thus requiring a 35% HCP contribution.** It is hoped that this contribution (double the 15% of the pilot) will encourage cost-effective purchasing decisions, efficient network design and reduce administrative expenses for applicants and the fund. This will also allow the program to stay within the $400 million cap, given the anticipated 10% annual increase in demand for program support. The 65% flat subsidy will support the cost of broadband and other advanced services, upgrades to existing facilities to higher bandwidth, equipment necessary to create networks of HCPs, equipment necessary to receive broadband services and HCP-owned infrastructure where shown to be the most cost-effective option.

  Eligible sources of funding for the 35% HCP contribution include federal funding, grants, loans or appropriations (except for other federal Universal Service Funding), tribal government funding and other grant funding, including private grants.

- **The Healthcare Connect Fund supports non-rural HCPs in consortia and offers incentives for consortiums.** The FCC found, in their Evaluation of the Rural Healthcare Pilot Program, that the use of consortium, particularly those that included non-rural HCPs, was effective at reducing administrative costs because the larger hospitals could shoulder much of the administrative burden and provided increased access to medical specialists through telemedicine. Furthermore, the larger sites (often located in urban areas) acted as sources of technical expertise and offered their bulk buying capabilities, providing benefits to rural HCPs. Additionally, the inclusion of technically non-rural sites (according to the FCC definition) has allowed for the participation of HCPs in remote areas, however not a rural site by FCC standards. Therefore, the Healthcare Connect Fund will accept non-rural applicants, as part of a consortium as long as the consortium remains majority rural. In order to avoid advantaging larger facilities, there is a cap on funding to hospitals with more than 400 beds, which can receive no more than $30,000 in support per year for recurring charges and no more than $70,000 in support for nonrecurring charges every five years.

In order to encourage the use of the consortium approach, the Healthcare Connect Fund provides support for certain costs available only to consortia. These costs include upfront payments for build-out costs and IRUs, equipment necessary for the formation of networks and self-construction charges. They also allow consortia to submit a single application covering all members.

- **The Healthcare Connect Fund will allow for flexibility in network design.** Like the pilot project, HCPs will be permitted to purchase services from any commercial provider or construct their own broadband infrastructure, where it is most cost effective. It is expected that most HCPs will choose to obtain services from a commercial provider, however in the event that a HCP or HCP consortium demonstrate that the needed broadband is unavailable or that self-construction is the most cost-effective option, the program will provide support. There is an annual $150 million cap on (among other things) self construction.

  There is no minimum bandwidth and service quality requirements. Eligible services may include last mile, middle mile or backbone services. HCPs will be able to receive support for the purchase/lease, lighting, modulating electronics and maintenance costs associated with dark fiber as long as the dark fiber is lit within the Funding Year.

  The Healthcare Connect Fund will also provide support for off-site data centers and off-site administrative offices used by eligible HCPs for healthcare purposes (conditions apply). Installation charges will be covered up to an undiscounted cost of $5000 per HCP. Upfront payments associated with services providing a bandwidth of less than 1.5 Mbps are not eligible. There is a $150 million annual limitation on total commitments for upfront payments and multi-year commitments. Consortia must prorate support requested for upfront payments over at least three years if, on average more than $50,000 in upfront payments is requested per HCP site.

- **What is not supported under the Healthcare Connect Fund?** Internal wiring, administrative and electronic equipment not associated with connectivity such as computers, printers and medical equipment are not supported under this program. HCPs are not allowed to resell equipment to other ineligible HCPs, however they may share costs (of a network, for example) with ineligible sites, as long as the ineligible sites pay a fair share of the cost.

- **The Commission created a new Pilot Program to test the technical and economic feasibility of eventually including support for broadband connectivity for skilled nursing facilities in the Healthcare Connect Program.** The Pilot will set aside $50 million (taken from the $400 million total for the Healthcare Connect Program) over a three year period for applicants who propose to use broadband to improve the quality and efficiency of healthcare delivery for skilled nursing facility patients, who would greatly benefit from telehealth applications. The Commission expects to use the data gathered through the pilot to determine whether or not such a program might be incorporated into the Healthcare Connect Fund in the future. The FCC will solicit input regarding design of the pilot in 2013. The pilot will begin in 2014.