

AUGUST 21, 2018

FCC 18-82 WC Docket No. 17-310

\$571 Million Rural Health Care Program Cap

On June 19, 2018 the Federal Communications Commission (FCC) adopted procedures to meet the increased demand for funding from the Rural Health Care (RHC) Program. The RHC program promotes health care delivery and telemedicine in rural America.

In the last five years telehealth technology has advanced and became more prevalent in rural areas. The RHC Program capped their funds at \$400 Million and in 2017 the RHC Program demand surpassed the funding cap by approximately \$121 million.¹

Addressing the Increased Demand

In an effort to address the increased demand for funding in the RHC Program, the FCC has established three different procedures, which are as follows: ²

1. Increase the annual RHC Program funding cap to \$571 million and will apply it back to FY 2017
2. Adjust the RHC Program funding cap annually to reflect inflation, beginning with FY 2018
3. Establish a process to carry-forward unused funds from past funding years for use in future funding years.

Increased RHC Program Funding Cap

With the advances in technology for providing state of the art telehealth care, there is a necessity for higher bandwidth, less latency, and diverse routing. In addition, the technology advancements have increased the RHC Program demand significantly. The program demand increase has driven the FCC to increase the funding cap to \$571 million.³ Raising the RHC Program funding cap is essential to address the current and future demand for supported services by health care providers offering telehealth services.

The FCC has also ruled that health care providers currently receiving program funding will receive the increased cap to the current funding year (FY 2017). In doing so, the FCC will remove the need to prorate the amount of qualified FY 2017 funding requests and relieve rural health care providers of service cost increases resulting from the mandatory proration.⁴

¹ FCC 18-82 Para. 7

² FCC 18-82 Para. 9

³ FCC 18-82 Para. 13

⁴ FCC 18-82 Para. 17-19

Annual Inflation Adjustment

The FCC has adopted a rule stating the RHC Program funding cap will be adjusted annually for inflation, beginning in FY 2018. The GDP-CPI inflation index is currently being used by the Commission to adjust the E-Rate Program cap, the high-cost loop support mechanism cap, and will now be used by the FCC annually to determine the increase in the RHC Program funding cap.⁵ For FY 2018 the funding cap will be \$581 million based on the current GDP-CPI inflation index.⁶

Carry-Forward Process

Unused RHC Program funds will be carried forward from previous years beginning in FY 2018. The funds carried over can be used in multiple funding years until eventually all carried forward funds have been disbursed.⁷

Eligible Entities

The RHC Program is available for small entities who are willing to bring improved telehealth services to their rural communities. The term “small entity” has the same meaning as the term “small business concern” under the Small Business Act. A small business concern is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration.⁸ There are three broad groups of small entities that could be eligible.

1. An independent business having fewer than 500 employees
2. Any not-for-profit enterprise which is independently owned and operated and is not dominant in its field
3. Governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand

These types of entities would include eligible non-profit and health care providers and the eligible service providers offering telehealth services, including telecommunications service providers, Internet Service Providers (ISPs), and vendors of the services, and equipment used for dedicated broadband networks.⁹

Use of Funds

RHC Program funds must be used to increase access to broadband for eligible health care providers (HCPs), especially those serving rural areas. These funds will aid with the development and deployment of broadband health care networks and maximize cost-effectiveness of the FCC’s universal service health care program.

⁵ FCC 18-82 Para. 21

⁶ FCC 18-82 Para. 23

⁷ FCC 18-82 Para. 24-28

⁸ FCC 18-82 Appendix B Para. 5

⁹ FCC 18-82 Appendix B Para. 9



The RHC program provides a 65% discount on broadband services, equipment, connections to research and education networks, and HCP-constructed and owned facilities, if shown to be the most cost-effective option. After the 65% discount, the HCP will be required to meet a 35% contribution for the remaining costs.

Additional Resources

If you have any questions or would like additional information on the RHC Program and whether this poses an opportunity for your company, please feel free to contact one of the following VPS staff members for assistance:



Kristy Szabo
(605) 995-1786
Kristy.Szabo@vantagepnt.com



Jesse Taylor
(605) 995-1819
Jesse.Taylor@vantagepnt.com