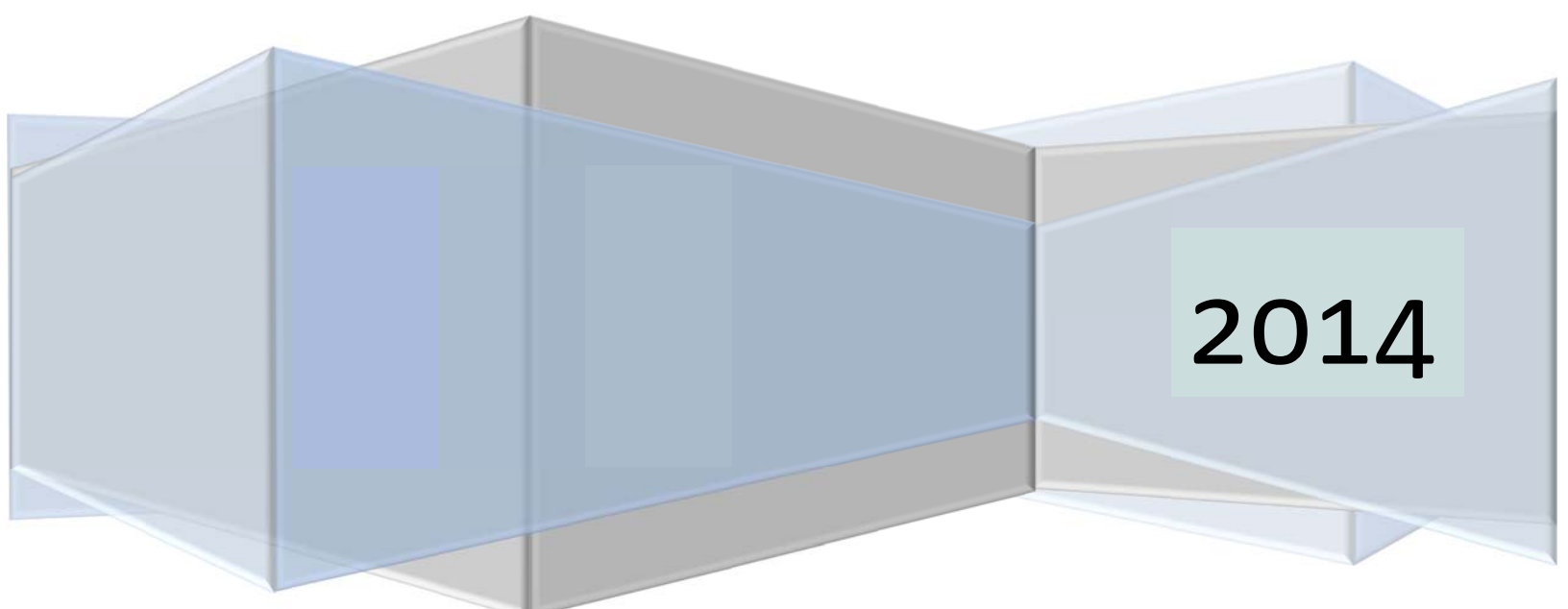


Missouri

Verifying the Continued Eligibility of Existing Lifeline Subscribers

(Public version)

Prepared by Missouri PSC Staff



2014

Verifying the Continued Eligibility of Existing Lifeline Subscribers

The Lifeline program is a discounted phone service available to qualifying low-income consumers.¹ Each year all existing Lifeline subscribers are required to verify their continued eligibility in the Lifeline program.² This annual verification process (*a.k.a annual recertification process*) typically has the Lifeline provider contacting the Lifeline subscriber whereby the subscriber must affirmatively respond as remaining eligible for the Lifeline program. A Lifeline subscriber is de-enrolled for failing to respond or if the subscriber is no longer eligible. Listed below are some of the more significant observations from this annual process by the 72 Missouri companies participating in the Lifeline program:³

- *Missouri's Lifeline subscribers increased from 194,854 to 239,394 during February 2013 to February 2014.*
- *A total of 118,336 subscribers were contacted to verify eligibility in 2014. Among these subscribers 47,377 were subsequently de-enrolled resulting in a de-enrollment percentage of 40%.*
- *Most de-enrollments caused by this annual process are due to the subscriber not responding to the request to verify eligibility.*

How Companies Report Annual Verification Results

All Lifeline providers must submit their annual Lifeline verification results to the FCC, the federal universal service fund administrator (USAC) and the applicable state commission.⁴ Results are submitted using a standardized form developed by the FCC. The FCC labels the form "Form 555". The FCC initiated Form 555 in 2012 and subsequently revised this form in 2013 and 2014. Perhaps most notable among the latest changes to the 2014 form is how the de-enrollment percentage is calculated in Section 3 of the form.⁵ Form 555 reports filed with the

¹ For a more detailed explanation about the Lifeline program and how it works in Missouri see *The Lifeline Program* a report compiled by the Missouri Commission Staff and filed in Case No. TW-2014-0012; July 10, 2013.

² This requirement is codified at the federal level in 47 CFR §54.410(f). Missouri's rule is codified in 4 CSR 240-31.120(2)(C) and differs from the federal requirement by requiring the subscriber to submit proof of eligibility at least once every two years. For a detailed explanation about this annual requirement including how it has changed since 1985 see the Missouri Commission Staff's Annual Verification of Continued Lifeline Subscriber Eligibility, filed April 1, 2014 in Case No. TW-2014-0012.

³ 48 companies provide landline Lifeline service, 22 companies provide wireless Lifeline service and 2 companies provide both landline and wireless Lifeline service.

⁴ 47 CFR §54.416(b).

⁵ The numerator for this percentage remains unchanged (*the number of subscribers de-enrolled as a result of non-response or ineligibility*); however, the 2014 Form 555 revised the denominator for this calculation. The

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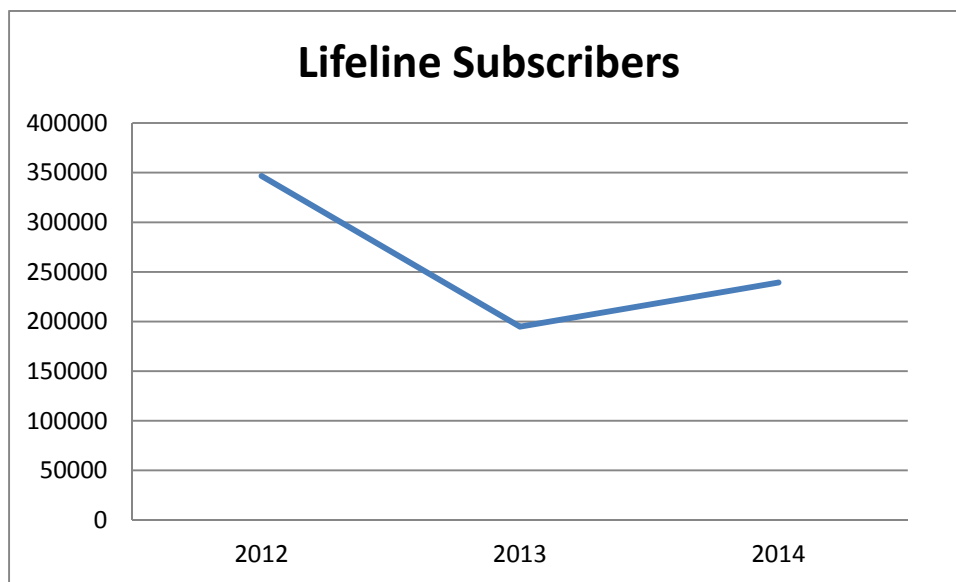
Missouri Commission are maintained within the Commission's Electronic Filing and Information System and are automatically classified as confidential.⁶

Lifeline Program Observations

A total of 71 Form 555 reports were filed with the Missouri Commission for the 2014 recertification process.⁷ Summarized results from Form 555 reports for the past three years are provided in Attachment A. Attachment B reflects a blank copy of Form 555 for 2014. Staff's observations are derived from reviewing these results.

Missouri's Lifeline subscriber quantities have been erratic

Missouri's Lifeline subscriber quantities have been erratic with significant declines in 2013 followed by significant increases in 2014. Specifically Missouri Lifeline subscribers totaled 346,643 in May 2012, 194,854 in February 2013 and 239,394 in February 2014 as shown in the chart below:



denominator used in 2012 and 2013 used *the number of subscribers claimed for reimbursement in February of those respective years*. The 2014 form uses the *number of subscribers the company is required to verify*. Applying this new formula to the 2012 and 2013 results will significantly raise the previously stated de-enrollment percentages for 2012 from 26% to 44% and for 2013 from 19% to 31%.

⁶ The Missouri Commission maintains these reports in EFIS as a non-case related submission.

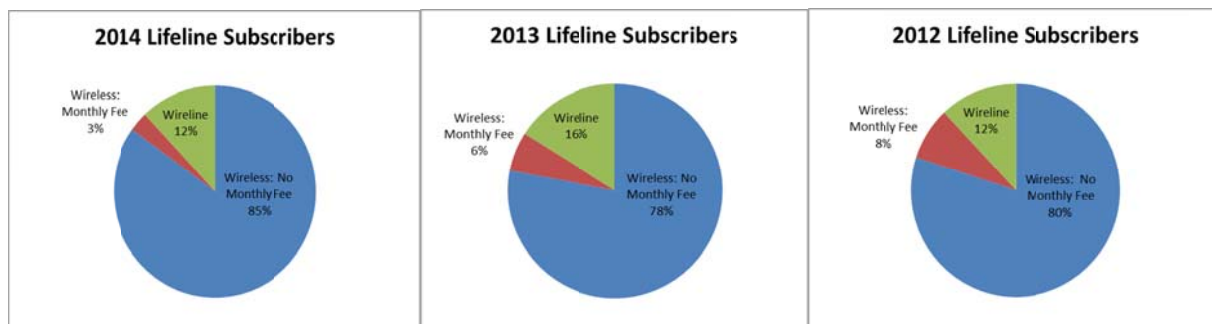
⁷ One company did not file a Form 555 report. This company claimed it did not have any Lifeline subscribers.

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Overall Missouri's Lifeline subscriber quantities grew by 44,540 subscribers or 23% between February 2013 and February 2014. During this time period twenty companies experienced increased Lifeline subscribership totaling 95,856 more Lifeline subscribers while thirty eight companies reported declines in Lifeline subscribership totaling 51,316 fewer subscribers.⁸

A closer inspection of these numbers suggests a relatively few number of companies have a significant impact on overall Lifeline subscribership in Missouri. For example during the February 2013 to February 2014 time period Missouri's growth in Lifeline subscribers can be attributed to seven wireless carriers.⁹ In contrast five companies are responsible for most of Missouri's overall decline in Lifeline subscribers.¹⁰

The majority of Lifeline subscribers receive wireless Lifeline service. Among the 239,394 Lifeline subscribers in February 2014, 85% were provided with wireless service with no monthly fee, 3% with wireless service with a monthly fee and 12% with wireline or landline service. These percentages have remained relatively stable over the past three years:



The 2014 annual verification process de-enrolled 47,377 Lifeline subscribers, primarily because the subscriber failed to respond to a request to verify eligibility

The annual verification process de-enrolls Lifeline subscribers for two basic reasons. One reason for de-enrollment is if the Lifeline subscriber fails to respond to a verification

⁸ Only 1 company reported no change in Lifeline subscriber quantities. The 59 companies (1+20+38) do not total the previously stated 72 Lifeline providers because the FCC allows affiliated companies to consolidate information and file one Form 555 report. These numbers assume affiliated companies have the same trend as reported in the companies' combined report.

⁹ The 7 wireless carriers account for 97% of Missouri's Lifeline subscriber growth (92,937 out of the 95,856 Lifeline subscribers).

¹⁰ These 5 companies account for 95% of Missouri's decline in Lifeline subscribers (48,851 out of the 51,316 Lifeline subscribers). The 5 companies include one ILEC, three wireless companies and one company provides both wireless and landline Lifeline service.

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request. Another reason for de-enrollment is if the Lifeline subscriber responds by indicating they are no longer eligible. The 2014 annual verification process de-enrolled 47,377 Lifeline subscribers. Most de-enrollments are due to the subscriber’s failure to respond to a verification request as shown below:

# of Subscribers	Percent	Reason for De-enrollment
43,360	91.52%	Failed to Respond
3,658	7.72%	Responded “no longer eligible”
359	.76%	USAC ¹¹
47,377	100%	Total

The percentage of non-responding subscribers to contacted subscribers remains relatively high. For example in 2014 approximately 37% of the contacted Lifeline subscribers failed to respond. For comparative purposes non-response rates were 30% in 2013 and 43% in 2012. These results suggest Lifeline subscribers may not fully understand the importance of responding to requests to verify eligibility.¹²

De-enrollments due to non-usage of free Lifeline service are still high but have declined

The FCC’s reforms establish a requirement for Lifeline providers offering a Lifeline service with no monthly fee to de-enroll a Lifeline subscriber if the subscriber fails to use the service within a sixty day time period.¹³ In general this requirement applies to wireless companies offering free Lifeline service with a limited amount of usage. De-enrollments due to non-usage are identified on a monthly basis for the calendar year in a Form 555 report of a company offering Lifeline service with no monthly fee. Results for the past three years are reflected below:

De-enrollments Due to Non-Usage of a Free Lifeline Service in Missouri			
	2012	2013	2014
Number of Providers Offering “Free” Lifeline Service	10	17	20
Lifeline Subscribers with Free Lifeline service	293,398	149,667	191,842
Lifeline Subscribers De-enrolled for Non-Usage	151,640	91,847	83,020

¹¹ If USAC conducts the verification process then results on Form 555 simply indicate how many subscribers USAC contacted to determine eligibility and then how many subscribers were de-enrolled. In this regard Form 555 results do not distinguish whether USAC’s de-enrollments are due to a subscriber failing to respond or whether the subscriber is no longer eligible.

¹² Admittedly such de-enrollments may be temporary and consumers may view de-enrollment as a minor inconvenience because the de-enrolled subscriber is able to immediately reapply to the Lifeline program. If a de-enrolled subscriber reapplies then the subscriber will need to submit proof of eligibility.

¹³ FCC rule 47 CFR 54.405(e)(3).

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Given the overall growth in total Lifeline subscribers from 2013 to 2014 it seems likely many of these de-enrolled subscribers are immediately re-enrolling in the Lifeline program.¹⁴

Eight companies used USAC to conduct the company's verification process

The FCC's reforms allow a company to have the option of using USAC to conduct the company's annual verification process.¹⁵ In Missouri, eight companies optioned to have USAC conduct the 2014 annual verification process versus five companies for the 2013 annual verification process. To date companies optioning to use USAC have relatively few Lifeline subscribers. For example, this past year USAC's verification effort only involved a total of 827 Lifeline subscribers with 359 subscribers ultimately being de-enrolled.

USAC's verification process is described as follows:¹⁶ If a company elects to have USAC conduct the company's annual verification then the company may not attempt to recertify subscribers on its own. USAC will mail a letter to a company's Lifeline subscriber. The letter explains the subscriber must verify eligibility within 30 days using any one of three methods: (1) call a toll-free number to an interactive voice response system; (2) verify eligibility through a website maintained by USAC; or (3) mail a signed form provided by USAC. Subscribers will also receive a call or text message from USAC sometime during the 30-day period to help prompt a response. USAC tabulates and provides the results to the company. The company then uses such information to compile and submit the Form 555 report.

Form 555 Report Abnormalities

The Missouri Commission Staff reviewed all Form 555 reports. Some reports contained unusual or inconsistent information prompting Staff to contact the company for an explanation. In some instances the company's report contained typo(s) and the company subsequently submitted a revised report. Although Staff does not intend to list all issues raised by its review of Form 555 reports, listed below are unique issues raised from Form 555 reports submitted by four large Missouri Lifeline service providers:

¹⁴ A subscriber de-enrolled for non-usage can immediately re-enroll; however, the subscriber will need to go through the full Lifeline application process including the submission of proof of eligibility.

¹⁵ FCC Lifeline Reform Order ¶133.

¹⁶ <http://www.usac.org/li/telecom-carriers/step08/recertification.aspx>. See also FCC Public Notice issued in WC Docket No. 11-42 *Wireline Competition Bureau Provides Guidance to Eligible Telecommunications Carriers on the Process to Elect USAC to Perform Lifeline Recertification*; DA 14-303; March 5, 2014.

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- **** _____ ****: This company's report indicates "not available" for quantifying the number of responders saying they are no longer eligible (Block I in Form 555). A letter addressed to the FCC also accompanied the company's Form 555 filing. This letter indicates the company had issues with confirming the eligibility for a small percentage of subscribers claimed on the company's February 2014 Form 497 form (Block F in Form 555) which resulted in the company contacting slightly more subscribers than expected (Block E in Form 555). Staff's follow-up with the company failed to adequately explain why the company inserted "not available" in Block I.¹⁷
- **** _____ ****: This company verified annual eligibility for a relatively small number of subscribers through a database maintained by a Health Maintenance Organization. Discussions with company officials reveal this arrangement works as follows: The database contains the HMO's participants who currently qualify and participate in the Temporary Assistance for Needy Families (TANF) program. The company checks the HMO's database for any Lifeline subscriber initially qualifying under TANF criteria. If the subscriber is not in the HMO's database then the company contacts the subscriber for verification of continued eligibility. Given the relatively small number of subscribers verified in this manner the Staff has not pursued whether such verification should be considered compliant.
- **** _____ ****: This company's web site allows subscribers to annually verify eligibility on their own initiative resulting in the company not needing to contact these subscribers. In Staff's opinion, the FCC should revise Form 555 to somehow accommodate and address such arrangements because the existing form will always suggest a company contacted an insufficient number of subscribers.
- **** _____ ****: The numbers in this company's Form 555 report were unusual in that the number of subscribers de-enrolled prior to the company's recertification attempt was greater than the number of subscribers claimed. The company explained they had erroneously sought reimbursement for some, but not all, of the company's Lifeline subscribers in February 2014. The company appropriately carried out the recertification process on all of the company's Lifeline subscribers; however, the company's Form 555 report reflects this smaller number in order to match the company's Form 497 report for February 2014.

Most Providers Submit Form 555 in a timely manner

The deadline for filing Form 555 is normally January 31; however, given this date fell on a weekend the deadline was extended to February 2, 2015. Most companies submit Form 555

¹⁷ A similar issue surfaced a year ago. For example the company's 2013 Form 555 report reflects "0" subscribers responding as being no longer eligible. Although only a small portion of responders typically admit as being no longer eligible a "0" result seems very unusual for a company with thousands of responding Lifeline subscribers.

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results in a timely manner. Only four reports were delinquent this year versus four last year and eight two years ago.

Looking Ahead to the 2015 Annual Verification Process

Next year many companies may need to change their annual verification process because a new Missouri Commission rule will activate. Missouri Commission rule 4 CSR 240-31.120(2)(C) became effective April 30, 2014 and states:

(C) An ETC shall annually recertify a subscriber's continued eligibility for participation in the Lifeline program. A subscriber shall submit proof of eligibility at least once every two (2) years unless an ETC has an automated means of verifying subscriber eligibility or alternatively a carrier's annual recertification process is administered by the FUSFA.

This rule is unique for Missouri and differs from the federal requirement because Missouri's new rule requires a subscriber to submit proof of eligibility at least once every two years. In contrast, federal requirements allow a company to simply obtain some sort of affirmative response from the subscriber that they remain eligible. Missouri's new rule provides the alternative option for a company to select USAC to conduct the annual verification. Although USAC will not require the subscriber to submit proof of eligibility this option provides the benefit of having the annual verification process conducted by an independent third party.

The Missouri Commission Staff sent an e-mail to all Missouri Lifeline providers on February 17, 2015 reminding them of this Missouri rule as well as addressing questions about the rule. A company optioning to have USAC conduct the annual verification had to inform USAC by April 1, 2015. One issue a company operating in multiple states and electing to have USAC administer the recertification process needs to be aware, "...This election must be made on an operating company basis and applies to all states and study area codes covered by the operating company."¹⁸ At this time Staff has not received any feedback from companies regarding compliance with this new rule; however, undoubtedly it will impact the next annual verification process for many companies.

¹⁸ FCC Public Notice Wireline in WC Docket No. 11-42 *Competition Bureau Provides Guidance regarding the 2013 Lifeline Recertification Process*; DA 13-1188; released May 22, 2013. ¶11 states, "...This election must be made on an operating company basis and applies to all states and study area codes covered by the operating company."

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Missouri's Aggregate Form 555 Results

Form 555 Reported Information		2012	2013	2014
A	Lifeline subscribers claimed	346,643	194,854	239,394
B	Lifeline subscribers claimed but provided to wireline resellers	392	183	75
C	Lifeline subscribers claimed but recently enrolled in Jan. & Feb.	*	18,216	23,225
D	Lifeline subscribers de-enrolled prior to recertification attempt	150,714	55,092	98,594
E	Lifeline subscribers needing recertification (E=A-B-C-D)	195,537	121,363	117,950
F	Lifeline subscribers contacted	203,331	123,346	117,509
G	Lifeline subscribers responding to ETC contact	112,175	86,484	74,149
H	Non-responders (H=F-G)	88,163	36,862	43,360
I	Lifeline subscribers responding no longer eligible	2,078	671	3,658
J	Lifeline subscribers de-enrolled for non-response or ineligibility (J=(H+I))	90,234	37,533	47,018
K	Lifeline subscribers whose eligibility confirmed by database or USAC	*	1,020	827
L	Lifeline subscribers de-enrolled as a result of finding of ineligibility by database or de-enrolled by USAC	*	418	359
M	Subscribers contacted by USAC or ETC (M=F+K)	203,331	124,366	118,336
N	Subscribers de-enrolled due to no response or ineligible (N=J+L)	90,234	37,951	47,377
O	De-enroll percentage ¹⁹	44%	31%	40%

* indicates information did not apply for the initial 2012 verification.

Lifeline subscribers with no monthly fee de-enrolled due to non-usage	151,640	91,847	83,020
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Attachment A

¹⁹ Form 555 was revised in 2014 changing the formula for calculating the de-enrollment percentage. The application of the new formula to 2013 and 2012 increases previously stated de-enrollment percentages for those two prior years to the amounts indicated above.

Annual Lifeline Eligible Telecommunications Carrier Certification Form

All carriers must complete all or portions of all sections

Form must be submitted to USAC and filed with the Federal Communications Commission

IMPORTANT: PLEASE READ INSTRUCTIONS FIRST

Deadline: January 31st (Annually)

<p>_____</p> <p>Study Area Code (SAC)</p> <p><i>(An Eligible Telecommunications Carrier (ETC) must provide a certification form for each SAC through which it provides Lifeline service).</i></p>	
<p>_____</p> <p>State</p>	<p>_____</p> <p>ETC Name</p>
<p>_____</p> <p>DBA, Marketing or Other Branding Name</p> <p><i>(If same as ETC name, list "N/A" Do <u>not</u> leave blank)</i></p>	<p>_____</p> <p>Holding Company Name</p> <p><i>(If same as ETC name, list "N/A" Do not leave blank)</i></p>

Does the reporting company have affiliated ETCs? Yes No

Provide a list of all ETCs that are affiliated with the reporting ETC, using page 4 and additional sheets if necessary. Affiliation shall be determined in accordance with Section 3(2) of the Communications Act. That Section defines "affiliate" as "a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person." 47 U.S.C. § 153(2). See also 47 C.F.R. § 76.1200.

Affiliated ETC's SAC	Affiliated ETC's Name

For purposes of this filing, an officer is an occupant of a position listed in the article of incorporation, articles of formation, or other similar legal document. An officer is a person who occupies a position specified in the corporate by-laws (or partnership agreement), and would typically be president, vice president for operations, vice president for finance, comptroller, treasurer, or a comparable position. If the filer is a sole proprietorship, the owner must sign the certification.

Section 1: Initial Certification *All ETCs must complete this section*

I certify that the company listed above has certification procedures in place to:

- A) Review income and program-based eligibility documentation prior to enrolling a consumer in the Lifeline program, and that, to the best of my knowledge, the company was presented with documentation of each consumer's household income and/or program-based eligibility prior to his or her enrollment in Lifeline; and/or
- B) Confirm consumer eligibility by relying upon access to a state database and/or notice of eligibility from the state Lifeline administrator prior to enrolling a consumer in the Lifeline program.

I am an officer of the company named above. I am authorized to make this certification for the Study Area Code listed above.

Initial _____

Section 2: Annual Recertification

Do not leave empty blocks. If an ETC has nothing to report in a block, enter a zero.

A	B	C	D	E = (A - B - C - D)
Number of subscribers claimed on February FCC Form 497 of current Form 555 calendar year <i>(February data month)</i>	Number of lines claimed on February FCC Form 497 of current Form 555 calendar year provided to wireline resellers	Number of subscribers claimed on the February FCC Form 497 that were <u>initially</u> enrolled in the current Form 555 calendar year <i>(These subscribers did not have Lifeline service prior to January 1 of the current 555 calendar year.)</i>	Number of subscribers de-enrolled <u>prior</u> to recertification attempt by either the ETC, a state administrator, access to an eligibility database, or by USAC	Number of subscribers ETC is responsible for recertifying for current Form 555 calendar year

Recertification Results:

F	G	H = (F-G)	I	J = (H+I)
Number of subscribers ETC contacted directly to recertify eligibility through attestation	Number of subscribers responding to ETC contact	Number of non-responding subscribers	Number of subscribers responding that they are no longer eligible <i>(This should be a subset of Block G.)</i>	Number of subscribers de-enrolled or scheduled to be de-enrolled as a result of non-response or response of ineligibility from ETC recertification attempt

K	L
Number of subscribers whose eligibility was reviewed by state administrator, ETC access to eligibility database, or by USAC	Number of subscribers de-enrolled or scheduled to be de-enrolled as a result of finding of ineligibility by state administrator, ETC access to eligibility database, or USAC

Note: If any subscriber was reviewed by an ETC accessing a state database or by a state administrator and subsequently contacted directly by the ETC in an attempt to recertify eligibility, those subscribers should be listed in Blocks F through J as appropriate and not in Blocks K and L. As a result, all subscribers subject to recertification who were not de-enrolled prior to the recertification attempt must be accounted for in Block F or Block K.

The total of Block F and Block K should equal the number reported in Block E.

Certification:

Based on the data entered above, initial the certification(s) below that apply. Both Certification A and B may apply depending on the recertification procedures in place for the SAC reporting on this form. If Certification C applies, neither Certification A nor B may apply.

A.) I certify that the company listed above has procedures in place to recertify the continued eligibility of all of its Lifeline subscribers, and that, to the best of my knowledge, the company obtained signed certifications from all subscribers attesting to their continuing eligibility for Lifeline. Results are provided in the chart above in Blocks F through J. I am an officer of the company named above. I am authorized to make this certification for the SAC listed above.

Initial _____

AND/OR

B.) I certify that the company listed above has procedures in place to recertify consumer eligibility by relying on: (List database or name of administrator here). Results are provided in the chart above in Blocks K through L. I am an officer of the company named above. I am authorized to make this certification for the SAC listed above.

Initial _____

OR

C.) I certify that my company did not claim federal low income support for any Lifeline subscribers for the February Form 497 data month for the current Form 555 calendar year. I am an officer of the company named above. I am authorized to make this certification for the SAC listed above.

Initial _____

Section 3: De-enroll Percentage

Using the data entered in Section 2, complete the chart below to find the percentage of subscribers de-enrolled for this ETC.

M = (F+K)	N = (J+L)	O = ((N ÷ M) * 100)
Number of subscribers that the ETC attempted to recertify directly or through a state administrator, ETC access to a state database, or by USAC <i>(This should equal the number reported in Block E)</i>	Number of subscribers de-enrolled or scheduled to be de-enrolled as a result of non-response or ineligibility	Percentage of subscribers de-enrolled or scheduled to be de-enrolled as a result of ineligibility or non-response

Section 4: Pre-Paid ETCs

All ETCs must complete the appropriate check-box; pre-paid ETCs must complete all of Section 4. Pre-paid ETCs generally do not assess or collect a monthly fee from their Lifeline subscribers. ETCs that only assess a fee but do not collect such fees are pre-paid ETCs and must complete the chart below.

Is the ETC Pre-Paid? Yes No

If Yes, record the number of subscribers de-enrolled for non-usage by month in Block Q below.

P	Q
Month	Subscribers De-Enrolled for Non-Usage
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total Subscribers	

Signature Block

By signing below, I certify that the company listed above is in compliance with all federal Lifeline certification procedures. I am an officer of the company named above. I am authorized to make this certification for the Study Area Code (SAC) listed above.

Signed,

Signature of Officer

Printed Name and Title of Officer

Email Address of Officer

Date

Person Completing This Certification Form

Contact Phone Number

