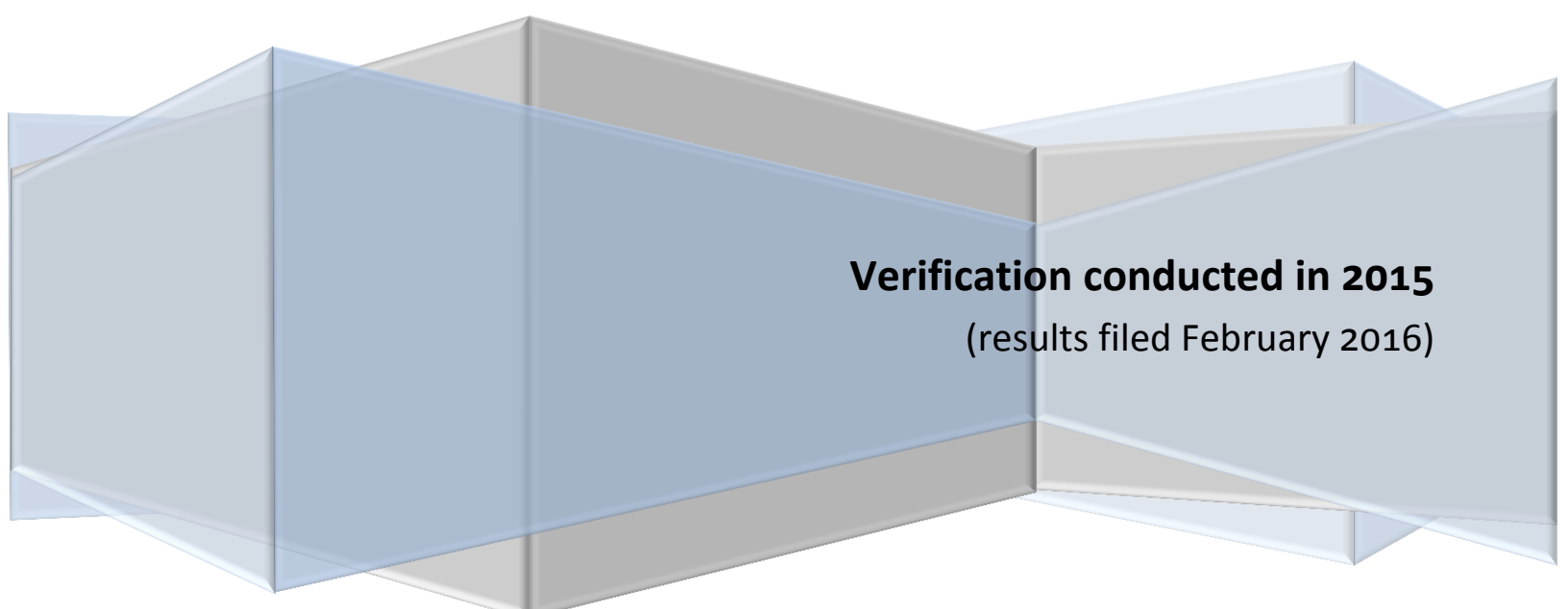


# Missouri

## Verifying the Continued Eligibility of Existing Lifeline Subscribers

(Public version)

Prepared by Missouri PSC Staff



**Verification conducted in 2015**  
(results filed February 2016)

# Verifying the Continued Eligibility of Existing Lifeline Subscribers

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The Lifeline program is a discounted phone service available to qualifying low-income consumers.<sup>1</sup> Each year all existing Lifeline subscribers are required to verify their continued eligibility in the Lifeline program.<sup>2</sup> This annual verification process (*a.k.a annual recertification process*) will de-enroll a Lifeline subscriber for failing to respond to a verification request or if the subscriber responds by indicating they are no longer eligible. Listed below are some of the more significant observations from this annual process by the 69 Missouri companies participating in the Lifeline program:<sup>3</sup>

- *Missouri's Lifeline subscribers declined from 239,394 to 154,099 during February 2014 to February 2015.*
- *A total of 79,306 subscribers were contacted to verify eligibility in 2015. Among these subscribers 32,046 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.<sup>4</sup> 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.<sup>5</sup> Form 555 reports filed with the

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 47 companies provide landline Lifeline service, 20 companies provide wireless Lifeline service and 2 companies provide both landline and wireless Lifeline service.

<sup>4</sup> 47 CFR §54.416(b).

<sup>5</sup> 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 denominator used in 2012 and 2013 used *the number of subscribers claimed for reimbursement in February of*

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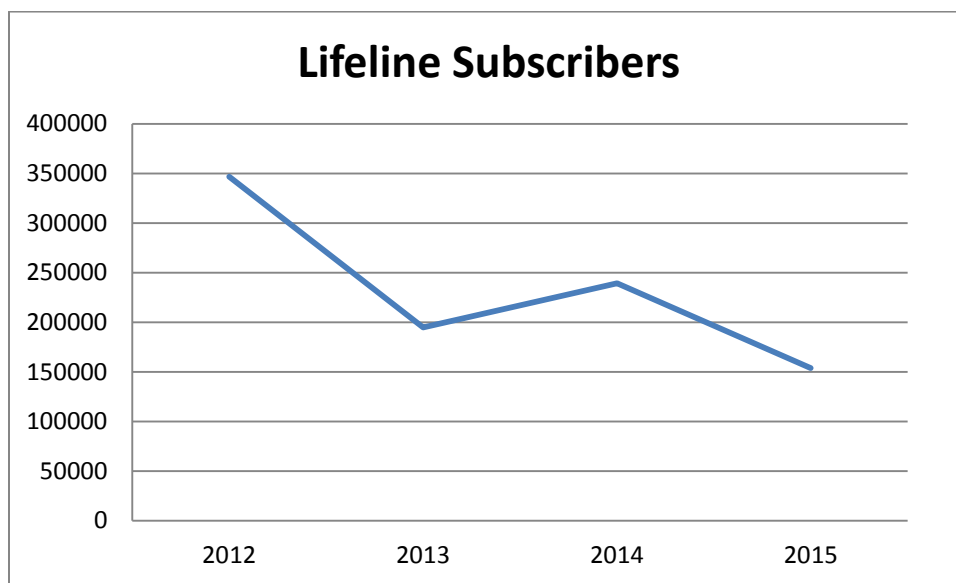
Missouri Commission are maintained within the Commission's Electronic Filing and Information System and are automatically classified as confidential.<sup>6</sup>

## Lifeline Program Observations

A total of 68 Form 555 reports were filed with the Missouri Commission for the 2015 recertification process. Summarized results from Form 555 reports for the past four years are provided in Attachment A. Attachment B reflects a blank copy of Form 555 for 2015. 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. Specifically Missouri Lifeline subscribers totaled 346,643 in May 2012, 194,854 in February 2013, 239,394 in February 2014 and 154,099 in February 2015 as shown in the chart below:



Overall Missouri's Lifeline subscriber quantities declined 85,295 subscribers or 36% between February 2014 and February 2015. During this time period seventeen companies experienced

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*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%.

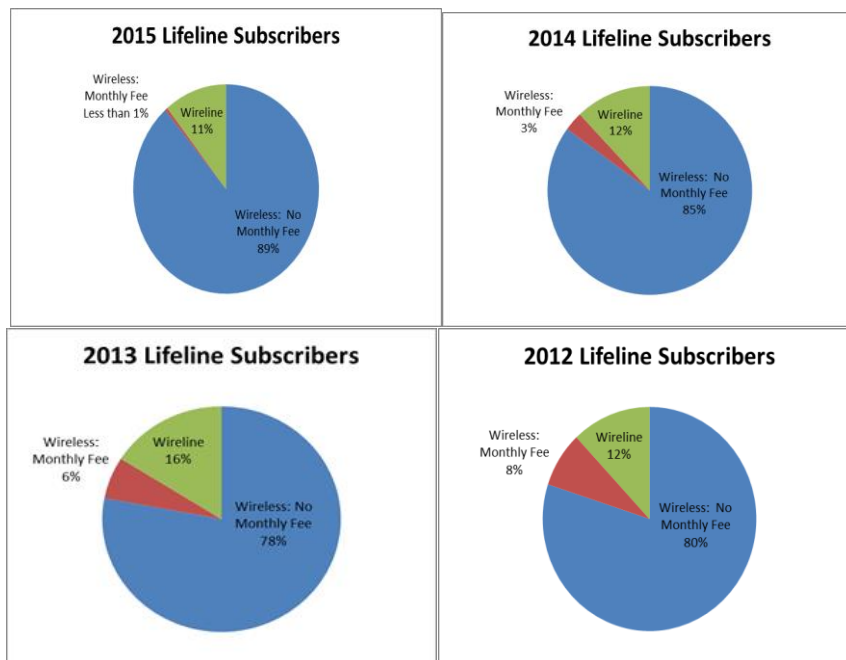
<sup>6</sup> The Missouri Commission maintains these reports in EFIS as a non-case related submission.

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increased Lifeline subscribership totaling 14,227 more Lifeline subscribers while forty four companies reported declines in Lifeline subscribership totaling 78,819 fewer subscribers.<sup>7</sup>

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 2014 to February 2015 time period Missouri's growth in Lifeline subscribers can be attributed to four wireless carriers.<sup>8</sup> In contrast nine companies are responsible for most of Missouri's overall decline in Lifeline subscribers.<sup>9</sup>

The majority of Lifeline subscribers receive wireless Lifeline service. Among the 154,099 Lifeline subscribers in February 2015, 89% were provided with wireless service with no monthly fee, less than 1% with wireless service with a monthly fee and 11% with wireline or landline service. Lifeline subscribers provided with wireless service with a monthly fee continues to decline. The other remained relatively stable over the past four years:



<sup>7</sup> Seven companies reported no change in Lifeline subscriber quantities. The 68 companies (7+17+44) do not total the previously stated 69 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.

<sup>8</sup> Four wireless carriers account for 97% of Missouri's Lifeline subscriber growth (13,778 out of the 14,227 Lifeline subscribers).

<sup>9</sup> These nine companies account for 96% of Missouri's decline in Lifeline subscribers (76,034 out of the 78,819 Lifeline subscribers). The nine companies include one ILEC and eight wireless companies.

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*The 2015 annual verification process de-enrolled 32,046 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 request. Another reason for de-enrollment is if the Lifeline subscriber responds by indicating they are no longer eligible. The 2015 annual verification process de-enrolled 32,046 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
29,945	93%	Failed to Respond
596	2%	Responded "no longer eligible"
1,505	5%	USAC <sup>10</sup>
<b>32,046</b>	<b>100%</b>	<b>Total</b>

The percentage of non-responding subscribers to contacted subscribers remains relatively high. For example in 2015 approximately 40% of the contacted Lifeline subscribers failed to respond. For comparative purposes non-response rates were 37% in 2014, 30% in 2013 and 43% in 2012. These results suggest Lifeline subscribers may continue to not fully understand the importance of responding to requests to verify eligibility.<sup>11</sup>

*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.<sup>12</sup> 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

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<sup>10</sup> 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.

<sup>11</sup> 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.

<sup>12</sup> FCC rule 47 CFR 54.405(e)(3).

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company offering Lifeline service with no monthly fee. Results for the past four years are reflected below:

<b>De-enrollments Due to Non-Usage of a Free Lifeline Service in Missouri</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of Providers Offering “Free” Lifeline Service	10	17	20	19
Lifeline Subscribers with Free Lifeline service	293,398	149,667	191,842	137,544
Lifeline Subscribers De-enrolled for Non-Usage	151,640	91,847	83,020	70,260

### *Fifteen 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.<sup>13</sup> In Missouri, fifteen companies optioned to have USAC conduct the 2015 annual verification process versus eight companies for the 2014 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 5,225 Lifeline subscribers with 1,505 subscribers ultimately being de-enrolled.

USAC’s verification process is described as follows:<sup>14</sup> 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. One report contained unusual or inconsistent information prompting Staff to contact the company for an explanation.

<sup>13</sup> FCC Lifeline Reform Order ¶133.

<sup>14</sup> <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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The company's report mistakenly contained data that corresponded to its affiliate company and the company subsequently submitted a revised report. Listed below is one unique issue raised from the Form 555 report submitted by a large Missouri Lifeline service provider:

- **\*\*** \_\_\_\_\_ **\*\***: This company's report indicates it contacted more subscribers than the company was responsible for contacting. A letter addressed to the FCC 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 2015 Form 497 form (Block F in Form 555) which resulted in the company contacting slightly more subscribers than expected (Block E in Form 555).<sup>15</sup>

### ***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 1, 2016. Most companies submit Form 555 results in a timely manner. Six reports were delinquent this year versus four the last two years and eight three years ago.

### ***Proof of Eligibility Requirement for 2015 Annual Verification Process***

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. Missouri's new rule provides the alternative option for a company to select USAC to conduct the annual verification.

The Missouri Commission Staff contacted 16 companies<sup>16</sup> to verify if proof of eligibility was required from subscribers during the 2015 verification process. The companies were asked

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<sup>15</sup> A similar issue occurred in 2013 and 2014.

<sup>16</sup> Staff contacted companies who reported they contacted 500 or more subscribers to verify eligibility. (Column F of the Form 555). The companies contacted were Access Wireless, Assist Wireless, LLC, Assurance Wireless Brought to you by Virgin Mobile, AT&T Missouri, Bluejay Wireless, Budget Mobile, CenturyLink (CenturyTel of

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to describe how the company contacted existing Lifeline subscribers to verify continued eligibility and to provide a copy of the company's request for verification. The results for these 16 companies are:

- 9 companies requested proof of eligibility as required.
- 2 companies had USAC conduct the verification for them.
- 2 companies did not request proof of eligibility because they did not enroll any of their subscribers on or before December 31, 2012.
- 1 company claimed they were unaware of the new Missouri rule. With Staff's recommendation the company will reach out to the subscribers and request proof of eligibility. Those who do not comply within 30 days will be de-enrolled from the lifeline program.
- 2 companies ignored Staff's request and have been referred to the Commission's legal staff.

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Northwest Arkansas), Life Wireless, Q-Link Wireless, LLC, Reachout Wireless, SafeLink Wireless, Stand Up Wireless, TAG Mobile, LLC, Total Call Mobile, Inc., Windstream Missouri, LLC & Windstream Iowa Communications, LLC and YourTel America, Inc.



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## Missouri's Aggregate Form 555 Results

Form 555 Reported Information		2012	2013	2014	2015
A	Lifeline subscribers claimed	346,643	194,854	239,394	154,099
B	Lifeline subscribers claimed but provided to wireline resellers	392	183	75	36
C	Lifeline subscribers claimed but recently enrolled in Jan. & Feb.	*	18,216	23,225	14,385
D	Lifeline subscribers de-enrolled prior to recertification attempt	150,714	55,092	98,594	61,362
E	Lifeline subscribers needing recertification (E=A-B-C-D)	195,537	121,363	117,950	78,316
F	Lifeline subscribers contacted	203,331	123,346	117,509	74,081
G	Lifeline subscribers responding to ETC contact	112,175	86,484	74,149	44,136
H	Non-responders (H=F-G)	88,163	36,862	43,360	29,945
I	Lifeline subscribers responding no longer eligible	2,078	671	3,658	596
J	Lifeline subscribers de-enrolled for non-response or ineligibility (J=(H+I))	90,234	37,533	47,018	30,341
K	Lifeline subscribers whose eligibility confirmed by database or USAC	*	1,020	827	5,225
L	Lifeline subscribers de-enrolled as a result of finding of ineligibility by database or de-enrolled by USAC	*	418	359	1,505
M	Subscribers contacted by USAC or ETC (M=F+K)	203,331	124,366	118,336	79,306
N	Subscribers de-enrolled due to no response or ineligible (N=J+L)	90,234	37,951	47,377	32,046
O	De-enroll percentage <sup>17</sup>	44%	31%	40%	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	70,260
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### Attachment A

<sup>17</sup> 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.