

Staff Briefing Papers

Meeting Date February 27, 2020 Agenda Item 5 *

Company Lifeline Eligible Telecommunications Carriers (ETCs)

Docket No. **P999/PR-19-20**

Issues **In the Matter of Lifeline Recertification Filings (Form 555)**
1. What action, if any, should the Commission take to retain subscribers based on information learned from Form 555 submissions?
2. Are there any other issues or concerns related to this matter?

Staff Sally Anne McShane sally.anne.mcshane@state.mn.us 651-201-2224



Relevant Documents

Date

Copy of Form 555

Department of Commerce Comments

May 7, 2019

To request this document in another format such as large print or audio, call 651.296.0406 (voice). Persons with a hearing or speech impairment may call using their preferred Telecommunications Relay Service or email consumer.puc@state.mn.us for assistance.

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

1. Statement of the Issues

1. What action, if any, should the Commission take to retain subscribers based on information learned from Form 555 submissions?
2. Are there any other issues or concerns related to this matter?

2. Background

A. Federal Lifeline Program

The Lifeline program was established in 1985 to connect individuals with affordable, reliable telephone service. The federal Lifeline program provides discounted service to low-income customers (commonly called “subscribers”). A \$9.25 discount per month per household is applied to a subscriber’s landline telephone, wireless telephone, or broadband internet bill. Many Lifeline wireless providers offer free monthly service including voice, text, and data, as well as a free cellphone. Subscribers on Tribal lands can receive up to a \$34.25 discount.

Subscribers must qualify for the program by proving their income level. Subscribers can either submit income information or proof that they are enrolled in one of five government programs – Federal Public Housing Assistance, Medicaid (Medical Assistance), Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), or Veterans Pension or Survivors Pension. Applicants living on Tribal lands may also qualify using one of four Tribal programs – Bureau of Indian Affairs General Assistance, Food Distribution Program on Indian Reservation (FDPIR), Tribally Administered Temporary Assistance for Needy Families, or Tribally Administered Head Start (if the subscriber also meets the income-qualifying standards).

B. Tracking Lifeline Enrollment: Form 555

All Lifeline subscribers must recertify for the program once a year by proving that they are still eligible for the low-income Lifeline program. Subscribers will receive a request to recertify via letter, phone call, email, or text message. Subscribers must reply within 60 days of the date of notice. If recertification is not completed within 60 days, the subscriber will be removed from the program.

The Federal Communications Commission (FCC) requires Lifeline companies to file Form 555, which details how many of their subscribers were successfully recertified the past year. The FCC instructs Lifeline companies, known as Eligible Telephone Companies (ETCs), to file Form 555 with the state commissions in which they operate.

In Docket P999/M-12-194, the Commission directed Lifeline companies, to implement the FCC’s recertification requirements.¹ Since 2012, all ETCs have filed Form 555s with state commissions. 19-20 is the annual Lifeline recertification docket. Previous dockets are 12-1315, 14-20, 15-20, 16-20, 17-20, and 18-20. In previous years, Commission Staff have monitored the docket to ensure that ETCs are filing Form 555. This is the first attempt to analyze the data therein. The data learned from examining this docket can be used to think about how communication and

¹ 12-194 Commission Order, p. 3

outreach can be effectively deployed to Lifeline subscribers, ultimately with the goal of retaining more.

Eligible Telecommunication Carriers (ETCs) must file FCC Form 555 with the Minnesota Public Utilities Commission annually by January 31st. Form 555 details the number of the company's subscribers that have been de-enrolled from the program after missing the previous year's recertification window.² ETCs must report the number of Lifeline subscribers due for recertification by month. 19-20 represents 2018 recertification efforts.

In Form 555, there are lines to detail annual recertification, including:

- 1) Subscribers eligible for recertification by anniversary month;
- 2) Subscribers de-enrolled prior to recertification attempt (changing addresses, death, eligibility changes, etc.); and
- 3) The total number of subscribers the ETC is responsible for recertifying.

1) Recertification

There are three methods that ETCs can use to recertify their subscribers:

- 1) State or federal database;
- 2) ETC direct contact; or
- 3) Third-party contact.

The first method of recertification is when subscribers are recertified through ETC access to state or federal databases. Minnesota ETCs can request the Minnesota Department of Human Services (DHS) to check the subscribers' eligibility against their database. Therefore, all of the Form 555s filed in Minnesota are totaled at 0 for this method. However, not all of an ETC's subscribers can be verified in the DHS database. For example, if a subscriber is not enrolled in any DHS programs and instead qualified using their income, they will not be picked up by the database check. After an ETC has qualified as many subscribers as possible in the DHS database, they will contact their subscribers directly to recertify them.

The second method is when subscribers are contacted directly by the ETC. When reporting on Form 555, ETCs can also use this section to include subscribers that initiated the recertification. ETCs must report the number of subscribers that were contacted by them directly to recertify and the numbers of subscribers who failed to recertify and the number who were recertified through the ETC direct outreach attempt.

The third method is when subscribers are contacted by the third-party. While some ETCs may hire a third-party company to perform this function, the majority of ETCs use the Universal Service Administrative Company (USAC) to complete their recertification process. USAC is an

² Note that there is a non-usage requirement for companies that do not charge a monthly fee, i.e. wireless companies that offer free service. In Minnesota, the non-usage requirement applies to the Lifeline wireless providers that offer free monthly service. ETCs must mark whether the company is subject to the non-usage requirements. If so, they must record the number of subscribers that were de-enrolled for usage by month. However, landline companies charge a monthly fee do not report on non-usage.

independent non-profit that was designated by the FCC to administer the Universal Service Fund (USF). USF includes funding for the Lifeline program. USAC performs many duties of the Lifeline program, but one of them has been offering to perform recertification for ETCs. In this section, the ETC must name the third-party that verified the subscriber's eligibility. This section requires reporting on the number of Lifeline subscribers contacted by the third-party and the numbers of subscribers who were de-enrolled and the number who were recertified as a result of a third-party recertification attempt.

At the conclusion of the form, the ETC must recount:

- 1) The total number of subscribers de-enrolled as a result of recertification;
- 2) The total number of subscribers the ETC recertified; and
- 3) The percent of subscribers who were due for recertification, but were de-enrolled.

C. National Verifier: New Application and Recertification Process

In the FCC's 2016 Lifeline Order, USAC was tasked with creating a central database that could verify the eligibility of all potential Lifeline subscribers.³ The FCC ordered the National Verifier to reduce abuse and fraud within the program and for greater ease when verifying a potential subscriber's eligibility. This database depends upon cooperation from the states to link state databases to the National Verifier that contain information about subscribers, i.e. income information, SNAP recipients, etc. So far USAC has been able to obtain access to the federal Medicaid database and the Federal Public Housing database. The majority of Lifeline subscribers use Medicaid participation as proof.

	Previous Process	New Process under National Verifier
<i>Application</i>	Subscribers apply to carrier	Customers apply through National Verifier, operated by USAC
<i>Annual Recertification</i>	Carriers use one of three processes (see previous section)	National Verifier performs recertification (see following section) State and federal database links: 78% subscribers are recertified Federal databases only: 64%

Under the new system, a customer will apply for Lifeline in the online National Verifier portal. Customers may also apply by mailing a paper application to USAC directly. If a subscriber cannot be verified using National Verifier, USAC will reach out to the ETC first to see if they have any current qualifying proof on file. If not, then USAC will contact the applicant directly. Once the customer has been approved, they will be shown a list of ETCs available in their state.⁴

³ 2016 Lifeline Order (<https://www.fcc.gov/document/fcc-modernizes-lifeline-program-low-income-consumers>), p. 126

⁴ In 2019, CAO corrected USAC on their online listing of Minnesota ETCs. Some providers were missing from their list.

1) National Verifier Rollout

USAC has been rolling out the National Verifier state by state as they contract to obtain access to state databases. FCC ordered USAC to completely roll out the National Verifier by the end of 2019. USAC is releasing the National Verifier in states without a state database connection due to cost effectiveness and time constraints. This is problematic, because without access to a database, the likelihood of verifying a subscriber drastically decreases. USAC has stated that in states where both state and federal databases are available yields an average pass rate of 78%. In states without a local connection, the pass rate is 64% on average.⁵

First, National Verifier announces a “soft launch.” The soft launch does not require ETCs to use the National Verifier. Companies may use it to practice using the National Verifier.

Second, National Verifier declares a “hard launch” typically three months after the soft launch date. At this time, all ETCs that serve that state must use the National Verifier to determine potential subscribers’ eligibility and current subscribers’ recertification. Once the National Verifier has hard launched in a state, all subscribers will go through the reverification process. Reverification is essentially the recertification process. All subscribers must be reverified when the National Verifier hard launches in a state. This is to ensure that all subscribers in National Verifier do indeed qualify for Lifeline. A concern is that subscribers may be dropped from Lifeline service during this time period.

2) National Verifier Experience of Minnesota and Other States

December 16, 2019 was the date for the National Verifier soft launch in Minnesota. Minnesota did not have a confirmed state database connection with DHS as of the soft launch date and still does not at this time. Based on other states’ National Verifier timelines, the National Verifier will hard launch in Minnesota in spring 2020. Without the DHS connection in place, it is likely that the pass rate will be close to 64%. The Department has been in contact with DHS and if the Commission wishes, it could ask the Department to provide a verbal update on progress on a contract date.

<i>Database connections</i>	<i>Recertification Rates</i>
<i>Federal database connection only (Minnesota)</i>	64%
<i>State and federal database connections</i>	78%

In speaking with companies that also operate in states where National Verifier has launched have said that National Verifier has been proceeding relatively smoothly and that they are able to see when USAC will be contacting the subscriber and are able to reach out to their subscribers directly. There is some confusion for subscribers during the reverification process. At the beginning of the soft launch period, companies are finishing up recertifications in process. Then during the hard launch period, it is possible for a subscriber to go through the reverification process immediately after a subscriber has completed a recertification, essentially requiring a subscriber to submit the same information two times in a row.

⁵ USAC Lifeline newsletter, dated November 26, 2019.

D. How the National Verifier will affect Form 555 and State Commissions' Access to Lifeline Enrollment Data

After the National Verifier has hard-launched in a state, Form 555, as we know it, will cease to exist. Since National Verifier will hold all recertification data, it renders Form 555 essentially useless. Therefore, Form 555 will not be filed with the same information as in the past. It will have much less useable data and will only contain the data that cannot be obtained in National Verifier. ETCs will report on subscribers that did not use their phone service, and thereby, lost their Lifeline discount. Companies that do not have non-usage data, because they charge a monthly bill, will render their Form 555 filings useless. This includes all of Minnesota's landline ETCs.

Currently, the FCC requires ETCs to file Form 555 with both the FCC and the state commissions. USAC is planning to work with FCC to adjust Form 555 requirements in 2020 once all states have launched the National Verifier.

However, USAC has offered to pull any data from National Verifier that Commission Staff would like to see at any time. We are no longer limited to a once-yearly filing. We also are no longer limited to only the information provided on Form 555.

Commission Staff will be inquiring with USAC in spring, summer, and at the end of 2020. This will provide Staff with perspective of the soft launch period, hard launch period, and the remainder of the year. Staff will still be asking about the recertification information that is represented on Form 555 – the number of subscribers that have and have not been recertified by provider. In addition, Staff will be asking about the percentage of subscribers that were found truly not eligible for recertification vs. subscribers that missed the recertification deadline or improperly completed their recertification forms. Staff have heard anecdotally that the majority of denials are non-response. It is possible that a significant number of subscribers that are eligible for recertification are denied for reasons other than no longer being eligible. Staff will not inquire about particular subscribers, but will ask about demographics that could be shared, i.e. the percentage of subscribers by qualifying program or income level, gender, age, geographical area, etc.

In addition, Staff will inquire with ETCs on an individual basis about their advertising, Customer Service Department training, and information provided on their websites. In the future, Staff will continue to examine the effect of the 19-20 decision options.

3. Parties' Comments

The only party to the case is the Minnesota Department of Commerce ("Department"). The Department recommends that the Commission accept the 2018 Lifeline recertification filings.⁶

The Department analyzed the data within the docket. The Department performed a yearly comparison of the recertification data. The Department found that Lifeline subscribership is

⁶ Department comments, p. 7-8

approximately the same in 2018 as when the 2016 Lifeline Reform Order was implemented. The Department also found that the 2018 de-enrollment rate is approximately same as the average rate for the last 6-7 years.⁷ Below is a table from the Department of the percentage subscribers de-enrolled over the last few years.⁸

Year	Percentage de-enrolled
2018	21.40%
2017	25.77%
2016	19.3%

The Department reviewed and analyzed the ETCs filings to verify compliance with the following federal statutory requirements:

- Annual eligibility recertification process;
- De-enrollment for failure to recertify; and
- Annual certifications by ETCs.

4. Staff Analysis

A. Recertification Method Effectiveness

Retaining subscribers depends upon successful recertification efforts. Different recertification methods yield different results.

De-enrollment numbers overall have stayed relatively steady over the last few years staying around 20-25%. Overall, wireless companies have not been losing many customers. In fact, their numbers have been marginally increasing.

Landline companies is where Lifeline subscribers have been dropping off the most. Companies have said that this may be because of general “cord-cutting” where more landline customers are opting to instead just own a cellphone. Form 555 details the number of Lifeline subscribers that are dropped before recertification and the number of subscribers that are dropped after recertification. Across all landline ETCs’ Form 555 submissions, 3,914 customers were dropped after completing the recertification process, which is 32.67% of the total number of customers that were eligible for recertification. Compare this to only 115 customers that dropped off the Lifeline discount before recertification begins. This represents only 0.96% of the number of customers eligible for recertification. Therefore, “cord-cutting” is not entirely to blame for decreased Lifeline numbers.

⁷ This controls for the 2016 recertification data when the 2016 Lifeline Order went into effect in July 2016. The 2016 Lifeline Order orders ETCs to perform “rolling recertification,” which changed recertification requirements. Prior to 2016, ETCs performed recertification for all subscribers at one time. Now ETCs performs recertification for each subscriber at the anniversary of their enrollment date.

⁸ Department comments, pg. 10

1) Recertification Rate by Methods

The method with the worst recertification returns is through third-party contact. The average de-enrollment rate is approximately 37%. A common explanation anecdotally is that subscribers are distrustful of USAC because they do not know who USAC is.

The next best recertification outcome is through ETC direct contact. The average de-enrollment rate is approximately 20%. The majority of wireless ETCs base their business model on Lifeline service. The resellers (wireless companies that purchase service from facilities-based wireless companies, i.e. Sprint, Verizon, etc.) solely serve Lifeline subscribers, so are dependent on maintaining as many subscribers as possible to continue growing revenue. Its possible that the method of recertification is the reason behind the lesser de-enrollment rates of wireless ETCs. Wireless ETCs more commonly opt to directly contact their subscribers. This allows for a greater rate of recertification. When an ETC reaches out to their own subscribers, those individuals are more likely to respond to a request for recertification. Some of the small telcos in Minnesota choose to recertify their Lifeline subscribers directly to offer that personal touch. Many of the small companies have so few customers that they know them individually, know their circumstances, and are comfortable contacting them one-on-one.

The best recertification outcome comes from a combination of running subscribers through the DHS database and then qualifying the remainder through direct contact. ETCs that used this method to recertify their subscribers had a 11% de-enrollment rate. When subscribers enroll in Lifeline with a low-income program and then are checked against the DHS database, 100% of these subscribers are recertified. This has implications for the upcoming National Verifier roll-out, which will check subscribers against program databases. Below see the recertification rates by method.⁹

<i>Recertification Methods</i>	<i>Recertification Rates</i>
<i>USAC recertification</i>	63.16%
<i>Wireless direct contact</i>	78.71%
<i>Landline direct contact</i>	80.33%
<i>DHS check with direct contact</i>	88.96%

2) How Recertification Will Change with National Verifier

When the National Verifier is launched, all subscribers that are enrolled in eligible government programs will be automatically recertified. However, if a subscriber is not enrolled in one of those programs, USAC will then perform the recertification themselves. We have already found that using a database yields the greatest recertification rate. However, we also know that that recertification by a third-party like USAC yields a worst recertification rate. Therefore, without a link to the DHS database in Minnesota, recertification results will most likely be poor. When a link to the DHS database is secured, the recertification outcomes will almost certainly improve.

⁹ Recertification rates from 19-20 Form 555 filings

B. Recertification Best Practices

Commission Staff spoke with various ETCs, representing a mix of landline and wireless, more or less subscribers, higher or lesser de-enrollment rates, companies that used the DHS database or did not, and companies that used direct or third-party contact.

Commission Staff spoke with Ace Telephone Company, Assurance Wireless,¹⁰ CenturyLink, Consolidated Communications, Frontier Citizens, Gardonville Cooperative Telephone Company, Midcontinent Communications, Park Region Telephone Company, SafeLink Wireless, T-Mobile, and Woodstock Telephone Company. See their 2018 de-enrollment rates below.

ETC Name	Percentage de-enrolled
<i>Ace Telephone Company</i>	30.30%
<i>Assurance Wireless</i>	3.44%
<i>CenturyLink</i>	32.93%
<i>Consolidated Communications</i>	11.74%
<i>Frontier Citizens</i>	26.39%
<i>Gardonville Cooperative Telephone Company</i>	15.56%
<i>Park Region Telephone Company</i>	21.05%
<i>Midcontinent Communications</i>	36.81%
<i>Safelink Wireless</i>	43.17%
<i>T-Mobile</i>	20.63%
<i>Woodstock Telephone Company</i>	0.00%

The most common theme overall that is associated with a higher recertification rate is regular contact with the subscriber. The ETCs that have the highest recertification rate contact their customer directly and often. Most ETCs say that their Customer Service Representatives are knowledgeable about program and can refer subscribers with recertification questions to more experienced representatives. Landline companies have said that they appreciate the July 1, 2019 TAP increase to \$7.00, which has been an incentive to customers to keep their TAP discount active. Many ETCs advertise telephone discounts via channels like billing onsert, newsletters, radio advertisements, and online targeted ads. Also many ETCs work closely with social service agencies¹¹

More wireless resellers are opting to do the recertification themselves, because they can retain their subscribers better. USAC returns lower recertification numbers. For the majority of the wireless Lifeline ETCs, their business model depends on signing up customers and then receiving an Lifeline credit for those customers.

¹⁰ FCC is investigating Assurance Wireless' parent company, Sprint, of fraudulently receiving tens of millions in Lifeline subsidies without providing service. <https://www.fcc.gov/document/sprint-received-lifeline-subsidies-885000-inactive-subscribers>

¹¹ When an ETC had used a direct contact method to recertify, the process is staff pulling a report of the customers due for recertification and send subscribers a letter and the recertification form ETCs may contact the customer again if they have not yet responded. Many companies will use IVR (Interactive Voice Response) or online forms to recertify subscribers.

Most ETCs that use third-party contact recertification do not reach out to customers directly, but will help subscribers get re-enrolled if they call after they have been removed from the program. ETCs that use third-party reverification have said that they do so to take administrative burden off their company. One ETC has opted to use USAC, because their subscribers have more ways to respond to recertification than what they can offer.¹²

Many ETCs have concerns about the upcoming National Verifier. ETCs that directly contact their subscribers have cited concerns that subscribers would not recognize USAC mailings if they opted for USAC to perform their recertification process. USAC sends subscribers limited letters in the mail about recertification. USAC doesn't provide much information to subscribers about recertification. ETCs that have not moved to USAC yet are hesitant to do so without a linked state database when the success of National Verifier depends on the scope of the state databases. Some wireless ETCs that are already operating in states where National Verifier has already launched have told Staff that sending a letter to subscribers in those states with directions on how to navigate recertification seems to be helping.

The ETCs I spoke with that have directly contacted their subscribers about recertification are Ace Telephone Company, Assurance Wireless, Consolidated Communications, Gardonville Cooperative Telephone Company, Midcontinent Communications, Safelink Wireless, T-Mobile, and Woodstock Telephone Company (regardless of whether they perform recertification themselves or opt for a third-party to perform recertification). The average de-enrollment rate for these companies is 20.21%. The average de-enrollment rate for companies that do not directly contact their subscribers is 26.79%.

ETCs that have low de-enrollment numbers are more likely to:

- 1) Have more frequent contact with the customer;
- 2) Educate CSRs on the Lifeline program; and
- 3) Use direct contact method for the recertification process.

ETCs that have high de-enrollment are more likely to:

- 1) Not contact the subscriber again close to their due date if they have not recertified yet;
- 2) Not advertise the Lifeline program; and
- 3) Use a third-party for the recertification process.

Therefore, the best practices to recertify as many subscribers as possible is to contact the subscriber directly as often and as clearly as possible and to rely on databases as they are made available.

¹² When an ETC has used the third-party contact method to recertify, the process is USAC sends a letter to the subscriber, who recertifies via mail, online, or IVR. If USAC does not hear back, they send two robocall reminders. Once the report of subscribers who have not recertified comes in, the ETC must de-enroll those subscribers.

1) Possible Decrease in Lifeline Subscribership

In 2020, the National Verifier will hard launch in Minnesota. The National Verifier will perform all recertification tasks for the ETCs. Companies will not be able to use the direct contact method. Therefore, it is likely that increased de-enrolled numbers will continue to grow.

CAO has drafted a letter to ETCs to notify them of the National Verifier and give them a mock-up of a letter that the company can send to their subscribers to inform them of the National Verifier. Staff has taken a look at the draft. CAO has read these briefing papers. At the beginning of each year, Staff sends a notice to all telecom companies about TAP-Lifeline and will be including a note about the National Verifier with a contact at the Commission. Staff are working on arranging a meeting with ETCs to discuss the National Verifier.

A common theme is that subscribers do not know who USAC is. USAC is not a household name. Subscribers commonly do not respond to USAC's requests with recertification as often as they would from their own company. Many subscribers suspect that it is a scam since USAC is asking for private, personal, and sensitive data. A likely resolution is to sending another mailing from company asking customer to respond to USAC and that it is safe and necessary to do so to keep their telephone discount.

To recap Staff's observations and conclusions:

- Eligible customers have at times been removed from the program during the recertification process.
- The move to the National Verifier may escalate dropping eligible customers, especially during the time that it is not linked to state databases.
- The Commission should continue to review recertification data, which in the future will not be from Form 555, to monitor Lifeline enrollment in Minnesota.
- Communication with Lifeline subscribers prior to and during the recertification process can help keep customers on the program.
- The Commission and stakeholders can engage in dialogue to ensure measures are being taken to keep eligible customers on Lifeline.

5. Decision Options

1. Direct all ETCs to notify their subscribers that USAC will be handling the recertification process with directions.
2. Accept the Department's analysis.
3. Accept Staff's analysis and monitor the impacts of the National Verifier performing recertification for Lifeline subscribers in Minnesota. Staff will obtain recertification data from USAC, put issues out for comment as needed, and bring matters back to agenda meetings for further findings or action.
4. Designate a Lead Commissioner to monitor recertification issues with Lifeline. The Lead Commissioner's duties include but are not limited to communicating with USAC and the FCC, convening planning or other meetings, and raising issues for comment in Commission proceedings.

5. Take some other action deemed appropriate.

Staff recommends decision options 2 and 3. Staff has no opinion on Decision option 1, 4, or 5.