

MISSOURI

Verifying the Continued Eligibility of Existing Lifeline Subscribers



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Verification Conducted in 2016
Results Filed January 2017

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*) 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 66 Missouri companies participating in the Lifeline program:³

- *Missouri's Lifeline subscribers declined from 154,099 to 129,875 during February 2015 to February 2016.*
- *A total of 73,359 subscribers were contacted to verify eligibility in 2016. Among these subscribers 23,518 were subsequently de-enrolled resulting in a de-enrollment percentage of 32%.*
- *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 Federal Communications Commission (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 Missouri Commission are maintained within 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 47 companies provide landline Lifeline service, 18 companies provide wireless Lifeline service and 1 company provides 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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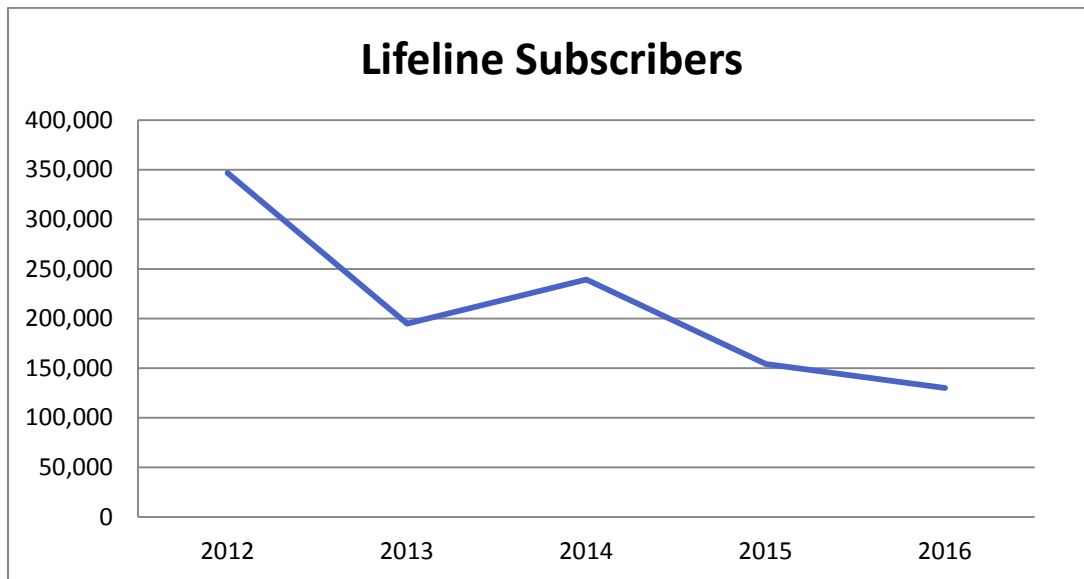
Commission's Electronic Filing and Information System (EFIS) and are automatically classified as confidential.⁶

Lifeline Program Observations

A total of 66 Form 555 reports were filed with the Missouri Commission for the 2016 recertification process. Summarized results from Form 555 reports for the past five years are provided in Attachment A. 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 the last two reported years experiencing a steady decline in subscribers. Specifically Missouri Lifeline subscribers totaled 346,643 in May 2012; 194,854 in February 2013; 239,394 in February 2014, 154,099 in February 2015; and 129,875 in February 2016 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.

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Overall Missouri’s Lifeline subscriber quantities declined by 24,224 subscribers or 16% between February 2015 and February 2016. The number of lifeline subscribers claimed in 2016 is the smallest total reported in the last five years.

The majority of Missouri Lifeline subscribers receive wireless Lifeline service. Among the 129,875 Lifeline subscribers in February 2016, 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. As shown in the chart below these numbers mirror last year’s numbers.

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------|------|------|------|------|------|
| Wireless: No Monthly Fee | 85% | 78% | 80% | 89% | 89% |
| Wireless: Monthly Fee | 3% | 6% | 8% | 0% | 0% |
| Wireline | 12% | 16% | 12% | 11% | 11% |

The 2016 annual verification process de-enrolled 23,518 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. A total of 73,359 Lifeline subscribers were contacted during the 2016 annual verification process and 23,518 Lifeline subscribers were de-enrolled. 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 |
|------------------|-------------|--------------------------------|
| 22,499 | 95% | Failed to Respond |
| 70 | <1% | Responded “no longer eligible” |
| 949 | 4% | USAC ⁷ |
| 23,518 | 100% | Total |

The percentage of non-responding subscribers to contacted subscribers remains relatively high. For example in 2016 approximately 33% of the contacted Lifeline subscribers failed to respond. For comparative purposes non-response rates were 40% in 2015, 37% in 2014, 30% in

⁷ 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.

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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.⁸

De-enrollments due to non-usage of free Lifeline service continue to decline

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.⁹ 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 five years are reflected below:

| De-enrollments Due to Non-Usage of a Free Lifeline Service in Missouri¹⁰ | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Number of Providers Offering Free Lifeline Service | 10 | 17 | 20 | 19 | 19 |
| Lifeline Subscribers with Free Lifeline service | 293,398 | 149,667 | 191,842 | 137,544 | 115,207 |
| Lifeline Subscribers De-enrolled for Non-Usage | 151,640 | 91,847 | 83,020 | 70,260 | 42,344 |

Fifteen companies used USAC or an alternate database/administrator to conduct the company's verification process.

The FCC's reforms allow a company to have the option of using USAC or an alternative database/administrator to conduct the company's annual verification process.¹¹ In Missouri, thirteen companies optioned to have USAC conduct the 2016 annual verification process and two used alternative databases. To date companies choosing to use USAC or an alternative database have relatively few Lifeline subscribers. For example, this past year's verification

⁸ 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.

⁹ FCC rule 47 CFR 54.405(e)(3).

¹⁰ Free Lifeline service technically refers to Lifeline service with no monthly fee. Usually such service has a limited amount of monthly usage (i.e., 250 minutes) whereby the subscriber will need to pay for any usage beyond this monthly allotment.

¹¹ FCC Lifeline Reform Order ¶133.

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effort by USAC or an alternative database/administrator only involved a total of 4,674 Lifeline subscribers with 949 subscribers ultimately being de-enrolled.

USAC's verification process is described as follows:¹² 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.

Two companies used alternative databases to verify continued eligibility. One stated they used FAMIS (Family Assistance Information Management System) through the Missouri Department of Social Services and the other used the Medicaid database. Staff is currently following up with these companies to determine how said databases work and the legitimacy of such databases.

Most Providers Submit Form 555 in a timely manner.

The deadline for filing Form 555 is January 31. Most companies submit Form 555 results in a timely manner. Nine reports were delinquent this year versus six last year, four the prior two years and eight four years ago.

¹² <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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Missouri's Aggregate Form 555 Results

| Form 555 Reported Information | | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------|---|---------|---------|---------|---------|---------|
| A | Lifeline subscribers claimed | 346,643 | 194,854 | 239,394 | 154,099 | 129,875 |
| B | Lifeline subscribers claimed but provided to wireline resellers | 392 | 183 | 75 | 36 | 37 |
| C | Lifeline subscribers claimed but recently enrolled in Jan. & Feb. | * | 18,216 | 23,225 | 14,385 | 17,216 |
| D | Lifeline subscribers de-enrolled prior to recertification attempt | 150,714 | 55,092 | 98,594 | 61,362 | 40,830 |
| E | Lifeline subscribers needing recertification (E=A-B-C-D) | 195,537 | 121,363 | 117,950 | 78,316 | 71,969 |
| F | Lifeline subscribers contacted | 203,331 | 123,346 | 117,509 | 74,081 | 68,685 |
| G | Lifeline subscribers responding to ETC contact | 112,175 | 86,484 | 74,149 | 44,136 | 46,186 |
| H | Non-responders (H=F-G) | 88,163 | 36,862 | 43,360 | 29,945 | 22,499 |
| I | Lifeline subscribers responding no longer eligible | 2,078 | 671 | 3,658 | 596 | 70 |
| J | Lifeline subscribers de-enrolled for non-response or ineligibility (J=(H+I)) | 90,234 | 37,533 | 47,018 | 30,341 | 22,569 |
| K | Lifeline subscribers whose eligibility confirmed by database or USAC | * | 1,020 | 827 | 5,225 | 4,674 |
| L | Lifeline subscribers de-enrolled as a result of finding of ineligibility by database or de-enrolled by USAC | * | 418 | 359 | 1,505 | 949 |
| M | Subscribers contacted by USAC or ETC (M=F+K) | 203,331 | 124,366 | 118,336 | 79,306 | 73,359 |
| N | Subscribers de-enrolled due to no response or ineligible (N=J+L) | 90,234 | 37,951 | 47,377 | 32,046 | 23,518 |
| O | De-enroll percentage ¹³ | 44% | 31% | 40% | 40% | 32% |

* 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 | 42,344 |
|---|---------|--------|--------|--------|--------|

Attachment A

¹³ 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.