



Alaska Communications Statement on the Federal Communications Commission's Rural Health Care Order

August 21, 2019

Background: The Federal Communications Commission (FCC) issued an Order on Aug. 20 that takes steps toward fixing unworkable rules promoting telehealth in rural America by adopting new Rural Health Care Program rules intended to clarify the process for the distribution of limited program funds.

ANCHORAGE, Alaska--(BUSINESS WIRE)--Aug. 21, 2019-- Leonard Steinberg, Senior Vice President, Legal, Regulatory and Government Affairs at Alaska Communications (NASDAQ: ALSK) commented that:

"Technology and telemedicine have assumed an increasingly important role in health care delivery, particularly in rural and remote areas of Alaska and the country. Broadband plays a critical role in the delivery of telemedicine, giving patients in rural areas high-quality health care services. We thank the Commission for recognizing that its Rural Health Care program rules have been problematic, and taking steps to adopt new rules that are intended to clarify the program's funding. In particular, we appreciate that the Commission understood that Alaska is unique and created sub-tiers within the program that improve the likelihood that the benefits of this program will reach some of America's most remote locations. We also commend the Commission for providing greater clarity regarding the transition for multi-year contracts. We thank the Alaska Delegation for its continued support of the Rural Health Care program and the significant impact it has on the health and wellbeing of rural Alaskans."

The Order addresses many topics as they relate to the program. A significant item is the calculation of urban and rural rates, summarized below:

Pursuant to the applicable federal statute, the Rural Health Care Program funds, amongst other things, the difference between the rural rate and the urban rate for functionally similar services used by health care providers. Under the new FCC rules, the FCC will fund no more than the difference between the median urban rate in a state and the median rural rate for the geographic tier in question in that state. The Universal Service Administration Company (USAC) has been directed to establish the urban rate for each state based on the median of all of the urban rate data it reviews across all urban areas of the state. USAC also has been directed to collect all publicly available rural rates for functionally similar services grouped by the geographic areas prescribed by the FCC (geographic "tiers" will be classified as extremely rural, rural or less rural) within each state, and determine the median rural rate for that group of rates. The FCC agreed to create a fourth tier in Alaska due to significant differences between extremely rural on-road and extremely rural off-road areas.

The new rules eliminate cost-based showings and put USAC in the position of developing a cap (the median) for rural rates in each tier. USAC has two years to work out its process for developing the medians in all 50 states and has hired a consultant to advise them on updating their electronic data systems. The new rate rules will take effect July 1, 2021. The FCC says the new rules will remove uncertainty and reduce delay in getting paid. The practical effect is to authorize a cap (median rate) for rural areas that may make it difficult to serve locations with costs in excess of the median. We will not be able to assess the financial impact on Alaska Communications until USAC completes its analysis.

About Alaska Communications

Alaska Communications (NASDAQ: ALSK) is the leading provider of advanced broadband and managed IT services for businesses and consumers in Alaska. The company operates a highly reliable, advanced statewide data network with the latest technology and the most diverse undersea fiber optic system connecting Alaska to the contiguous U.S. For more information, visit www.alaskacommunications.com or www.alsk.com.

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Media Contact

Heather Cavanaugh, 907-564-7722
Director, External Affairs and Corporate Communications

Investor Contact

Tiffany Smith, 907-564-7556
Manager, Board and Investor Relations
investors@acsalaska.com