

118TH CONGRESS  
2D SESSION

# H. R. 10536

To amend title 38, United States Code, to establish a mission of the Veterans Health Administration to innovate, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 19, 2024

Mr. MCGARVEY (for himself and Mr. LEVIN) introduced the following bill;  
which was referred to the Committee on Veterans' Affairs

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## A BILL

To amend title 38, United States Code, to establish a mission of the Veterans Health Administration to innovate, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Innovation for VA  
5       Technology and Entrepreneurship Act” or the “INNO-  
6       VATE Act”.

7       **SEC. 2. FINDINGS.**

8       Congress finds the following:

9               (1) The Department of Veterans Affairs offers  
10       critical health care services through the Veterans

1 Health Administration (in this section referred to as  
2 the “VHA”), serving as the largest integrated health  
3 care system, largest medical training organization,  
4 and one of the largest employers of health care pro-  
5 fessionals in the United States.

6 (2) Despite its size, assets, and reach, the VHA  
7 struggles to engage with private sector entities, par-  
8 ticularly early-stage businesses, due to bureaucratic  
9 hurdles.

10 (3) If provided new authorities through legisla-  
11 tion, the VHA is positioned to create a paradigm  
12 shift in health care, revitalizing the way it develops  
13 and innovates to improve clinical care and access to  
14 health care for veterans, and modeling trans-  
15 formational health care to the private sector, ulti-  
16 mately benefitting all Americans.

17 (4) Establishing a fifth mission of the VHA to  
18 innovate will ingrain an innovative mindset across all  
19 VHA operations, enhance the existing missions and  
20 spearhead a new American way in health care, im-  
21 proving health outcomes for veterans, the health of  
22 the Nation, and national security.

23 (5) The Office of Innovation of the VHA will  
24 authorize, fund, and streamline processes, enhancing  
25 the VHA network of innovation programs and fos-

1       tering collaboration and partnerships with industry,  
2       government, and academia.

3   **SEC. 3. INNOVATION IN THE VETERANS HEALTH ADMINIS-**  
4                   **TRATION.**

5       (a) MISSION.—Section 305(b) of title 38, United  
6 States Code, is amended—

7               (1) by inserting “(1)” before “The Under Sec-  
8       retary”; and

9               (2) by adding at the end the following new  
10      paragraph:

11      “(2) The missions of the Veterans Health Adminis-  
12      tration are the following:

13              “(A) Providing health care to eligible veterans.

14              “(B) Supporting research to benefit veterans  
15      and the Nation.

16              “(C) Providing education to health care pro-  
17      viders in training.

18              “(D) Supporting emergency response.

19              “(E) Fostering innovation to advance health  
20      care technology and services for veterans and the  
21      Nation.”.

22      (b) OFFICE OF INNOVATION.—

23              (1) ESTABLISHMENT.—Chapter 73 of title 38,  
24      United States Code, is amended by adding at the  
25      end the following new subchapter:

1 “SUBCHAPTER VI—INNOVATION

2 **“§ 7391. Office of Innovation**

3 “(a) ESTABLISHMENT.—There is in the Veterans  
4 Health Administration an Office of Innovation (in this sec-  
5 tion referred to as the ‘Office’). The Office shall be a Fed-  
6 eral laboratory, as such term is defined in section 4 of  
7 the Stevenson-Wydler Technology Innovation Act of 1980  
8 (Public Law 96–480; 15 U.S.C. 3703).

9 “(b) FUNCTION.—The function of the Office is to fos-  
10 ter innovation to advance health care and services for vet-  
11 erans and the Nation by—

12 “(1) researching, developing, and implementing  
13 innovative technologies and services to deliver the  
14 best health care practicable to veterans;

15 “(2) assisting, funding, and partnering with  
16 non-Department entities that can rapidly accelerate  
17 the research, development, commercialization, and  
18 implementation of technologies and services de-  
19 scribed in paragraph (1); and

20 “(3) adopting a comprehensive approach that  
21 works across traditional silos to effectively and effi-  
22 ciently—

23 “(A) use financial and human resources;  
24 and

1                   “(B) expedite the development, commer-  
2                   cialization, and deployment, of such tech-  
3                   nologies and solutions.

4           “(c) CHIEF INNOVATION OFFICER.—The head of the  
5   Office is the Chief Innovation Officer. The Chief Innova-  
6   tion Officer shall report directly to the Under Secretary  
7   for Health.

8           “(d) ORGANIZATION AND PERSONNEL.—The Office  
9   shall be organized in such manner, and its personnel shall  
10   perform such duties and have such titles, as the Secretary  
11   may prescribe pursuant to this subchapter.

12   **“§ 7392. Hiring authorities**

13           “(a) EXEMPTION FROM CIVIL SERVICE LAWS FOR  
14   CERTAIN EMPLOYEES.—(1) To carry out the function of  
15   the Office of Innovation, the Secretary may—

16                   “(A) appoint not more than 250 professional,  
17                   clinical, and other employees (which may include  
18                   permanent, temporary, or term-limited appoint-  
19                   ments) of the Department, without regard to—

20                           “(i) any provision of title 5 governing ap-  
21                           pointments and removals under the civil service  
22                           laws; or

23                           “(ii) any provision of chapter 7 of this  
24                           title; and

1           “(B) fix the base pay compensation of an em-  
2       ployee appointed under this subsection—

3           “(i) without regard to any other provision  
4       of law, including the General Schedule under  
5       section 5332 of title 5; and

6           “(ii) at a rate determined by the Secretary  
7       that does not exceed the amount of annual com-  
8       pensation (excluding expenses) established by  
9       section 102 of title 3.

10       “(2) In carrying out paragraph (1), the Secretary  
11       shall—

12           “(A) make lawful efforts to recruit a diverse  
13       workforce, including individuals under represented in  
14       clinical and other relevant technical and non-tech-  
15       nical areas of expertise, including racial and ethnic  
16       minorities; and

17           “(B) recruit employees with a variety of profes-  
18       sional experiences and backgrounds, or dem-  
19       onstrated expertise in a wide range of relevant dis-  
20       ciplines and management skills.

21       “(3) If the Secretary determines that maximum num-  
22       ber of positions under paragraph (1) is insufficient, the  
23       Secretary shall submit to the Committees on Veterans’ Af-  
24       fairs of the Senate and House of Representatives a written  
25       notification of such determination.

1       “(4) The Secretary may enter into an agreement with  
2 a private entity to identify and recruit highly qualified  
3 candidates for a position described in paragraph (1).

4       “(b) OTHER EMPLOYEES.—The Secretary may use  
5 any other authority under this title to hire administrative,  
6 financial, clerical, and other employees necessary to sup-  
7 port employees appointed under subsection (a).

8       “(c) WAIVER OF INTERGOVERNMENTAL PERSONNEL  
9 ACT MOBILITY PROGRAM LIMITS.—The Secretary may  
10 waive the limit on the period and number of assignments  
11 required under section 3372(a) of title 5 with respect to  
12 an individual who carries out the function established by  
13 section 7391(b) of this title under the mobility program  
14 under subchapter VI of chapter 33 of such title (commonly  
15 referred to as the ‘Intergovernmental Personnel Act Mo-  
16 bility Program’).

17       “(d) AUTHORITY TO ACCEPT FEDERAL  
18 DETAILEES.—Upon request of the Secretary, the head of  
19 any Federal department or agency may detail, on a reim-  
20 bursable or nonreimbursable basis (as determined by the  
21 Secretary and such head), any personnel of that depart-  
22 ment or agency to the Department to assist in carrying  
23 out the function of the Office of Innovation. Such a detail  
24 may not exceed three years.

1       “(e) RECORDKEEPING.—The Secretary shall keep  
2 records regarding the exercise of authorities under this  
3 section. Such records shall include the following:

4               “(1) the number of appointments made;

5               “(2) the types of positions filled, including ti-  
6 tles, occupational series, and grade;

7               “(3) the number of positions filled for which  
8 notices were publicly issued;

9               “(4) the number of qualified applicants who ap-  
10 plied for such positions;

11               “(5) the qualification criteria for such positions;  
12 and,

13               “(6) the demographic information of individuals  
14 hired for such positions.

15       “(f) REPORT.—Not less than once annually, the Sec-  
16 retary shall submit to the Committees on Veterans’ Affairs  
17 of the Senate and House of Representatives a report on  
18 appointments under this section. Such report shall include  
19 the number of such appointments and an explanation of  
20 how such employees carry out the function established by  
21 section 7391(b) of this title.

22       **“§ 7393. Acceleration fund**

23       “(a) ESTABLISHMENT.—There is established an ac-  
24 count, to be known as the ‘Veterans Health Care Innova-  
25 tion Acceleration Fund’ (in this section referred to as the



1 ‘Fund’), which shall be available to carry out the function  
2 of the Office of Innovation, in addition to such amounts  
3 that are otherwise available for such purpose. To manage  
4 the fund, the Secretary may—

5 “(1) accept monies from authorized sources for  
6 the Fund;

7 “(2) accept and distribute monies within the  
8 Department as the Secretary determines necessary;

9 “(3) establish a health care franchise function;  
10 and

11 “(4) pay for expenses (including information  
12 technology or acquisition, advisory, or legal services,  
13 whether provided by an employee of the Department  
14 or pursuant to an agreement with a non-Department  
15 entity) that the Secretary determines necessary to  
16 carry out the function of the Office of Innovation,  
17 without regard to restrictions on funding type.

18 “(b) AUTHORIZATION OF APPROPRIATIONS.—(1)  
19 There are authorized to be appropriated to the Fund such  
20 sums as may be necessary to carry out the function of  
21 the Office of Innovation. Such sums shall remain available  
22 until expended or five years after receipt.

23 “(2) The budget request for the Fund shall be sepa-  
24 rate from the rest of the budget of the Department.

1 “(3) Appropriations for the Fund shall be separate  
2 and distinct from the rest of the budget for the Depart-  
3 ment and not affect annual operational dollar allocations.

4 “(c) NON-PROFIT CORPORATIONS.—To support the  
5 administration of the Fund with regard to acceptance of  
6 certain types of external funding, the Secretary shall au-  
7 thorize existing nonprofit corporations, established under  
8 section 7361 of this title, to carry out the function of the  
9 Office of Innovation.

10 “(d) REPORT TO CONGRESS.—The Secretary shall  
11 submit to Congress a detailed account, program, and  
12 project allocations of the amount recommended for alloca-  
13 tion in a fiscal year from amounts in the Fund—

14 “(1) for Fiscal Years 2026 and 2027, not later  
15 than 60 days after the date of enactment of the In-  
16 novation for VA Technology and Entrepreneurship  
17 Act; and

18 “(2) for each fiscal year thereafter through  
19 2035, as part of the annual budget submission of  
20 the President under section 1105(a) of title 31.

21 **“§ 7394. Agreements with non-Department entities for**  
22 **access to key assets of the Department**

23 “(a) AUTHORITY.—The Secretary may enter into an  
24 agreement under which the Secretary provides a non-De-

1 partment entity access to a key asset of the Department  
2 so such entity may develop a technology or service that—

3 “(1) supports the strategic plan of the Depart-  
4 ment regarding health care; and

5 “(2) addresses a veteran-specific core com-  
6 petency.

7 “(b) FEES.—(1) Subject to paragraphs (2) and (3),  
8 the Secretary shall negotiate fees under this section on  
9 a case-by-case basis, taking into consideration factors in-  
10 cluding the costs and benefits to the United States of such  
11 agreement.

12 “(2) The Secretary shall discount a fee under this  
13 section if the entity is a small business concern owned and  
14 controlled by a veteran.

15 “(3) The Secretary shall not charge a fee under this  
16 section if the entity is a small business concern owned and  
17 controlled by a veteran with a service-connected disability.

18 “(c) DEFINITIONS.—In this section:

19 “(1) The term ‘key asset’ includes the fol-  
20 lowing:

21 “(A) Subject matter expertise & perspec-  
22 tive.

23 “(B) Properly protected data sets.

24 “(C) Research evaluations, studies, and  
25 trials.

1 “(D) Customer feedback and insights.

2 “(E) Simulation and production test envi-  
3 ronments.

4 “(F) Health care professionals, students,  
5 and trainees.

6 “(G) Advanced manufacturing and three-  
7 dimensional printing.

8 “(H) Engagement from other Federal enti-  
9 ties.

10 “(I) A network of academic affiliates.

11 “(2) The term ‘veteran-specific core com-  
12 petency’ means a health condition that the Secretary  
13 determines disproportionately affects veterans. Such  
14 term includes the following:

15 “(A) Prostheses.

16 “(B) Spinal cord injury.

17 “(C) Toxic exposure.

18 “(D) Traumatic brain injury.

19 “(E) Mental health (including suicide pre-  
20 vention and post-traumatic stress disorder);

21 “(F) Diabetes.

22 “(G) Heart disease.

23 “(H) Obesity.

24 “(I) Cancer.

1 **“§ 7395. Advance market commitments**

2 “(a) **AUTHORITY.**—The Secretary may enter into an  
3 advance market commitment, under which the Secretary  
4 shall guarantee to purchase, for a predetermined price, a  
5 technology or service provided by an entity that addresses  
6 an unmet need in the provision of health care to veterans.

7 “(b) **REQUIREMENTS.**—An advanced market commit-  
8 ment under this section shall include the following:

9 “(1) Clearly defined and transparent rules.

10 “(2) Clear definition of the technology or serv-  
11 ice to ensure safety, effectiveness, and feasible deliv-  
12 ery.

13 “(3) Dispute settlement mechanisms.

14 “(4) The ability to modify the terms of the  
15 agreement on the basis of new information regarding  
16 the number of veterans to be served with such tech-  
17 nology or service.

18 “(c) **REPORT.**—Not later than 120 days after exe-  
19 cuting an advance market agreement, the Secretary shall  
20 submit to the House and Senate Committees on Veterans  
21 Affairs an annual report on the status and efficacy of such  
22 agreement.

23 **“§ 7396. Other transactional authorities**

24 “(a) **AUTHORITY.**—The Secretary may enter into an  
25 agreement, other than a contract, cooperative agreement,  
26 or grant agreement, with a non-Department entity that

1 principally operates in the United States, to conduct ac-  
2 tivities associated with basic or applied research, proto-  
3 typing, or production deployment, if—

4 “(1) the Senior Procurement Executive of the  
5 Department has determined that a contract, cooper-  
6 ative agreement, or grant agreement is not feasible  
7 or appropriate; and

8 “(2) the cost to the United States to carry out  
9 such agreement does not exceed—

10 “(A) \$10,000,000 (including all options);

11 or

12 “(B) a greater amount that the Senior  
13 Procurement Executive determines appropriate.

14 “(b) LIMITATION.—The only kinds of research on  
15 human embryonic stem cells that may be conducted pursu-  
16 ant to an agreement under this section are the following:

17 “(1) Research involving the derivation and use  
18 of human embryonic germ cells from fetal tissue  
19 that complies with—

20 “(A) sections 498, 498A, and 498B of the  
21 Public Health Service Act (42 U.S.C. 289g,  
22 289g–1, 289–2);

23 “(B) title 45, Code of Federal Regulations,  
24 part 46, subpart B;

1           “(C) applicable regulations of the Food  
2           and Drug Administration; and

3           “(D) any other applicable Federal, State,  
4           or local law.

5           “(2) Research on existing human embryonic  
6           stem cell lines in accordance with criteria established  
7           by the Director of the National Institutes of Health.

8           “(c) REIMBURSEMENT.—Any amounts received by  
9           the Secretary under this section shall be used to reimburse  
10          the accounts from which funds were used to incur the ex-  
11          penses of carrying out this section.

12          “(d) REPORTING; TRANSPARENCY.—The Secretary  
13          shall—

14               “(1) submit to the appropriate congressional  
15               committees—

16                   “(A) a copy of each determination under  
17                   subsection (a)(1);

18                   “(B) not less than twice each year, a re-  
19                   port on agreements made under this section;  
20                   and

21                   “(C) upon request, any information re-  
22                   garding an agreement made under this section;  
23                   and

24               “(2) ensure that the terms of an agreement  
25          under this section permit the Comptroller General of

1 the United States to examine the records relating to  
2 such agreement of—

3 “(A) an entity that enters into such an  
4 agreement; or

5 “(B) an entity that otherwise participates  
6 in the performance of such agreement.

7 “(e) GUIDANCE.—The Senior Procurement Executive  
8 shall issue guidance regarding an agreement under this  
9 section.

10 “(f) DEFINITIONS.—In this section:

11 “(1) The term ‘appropriate congressional com-  
12 mittees’ means the following:

13 “(A) The Committees on Veterans’ Affairs  
14 of the House of Representatives and the Sen-  
15 ate.

16 “(B) The Subcommittees on Military Con-  
17 struction, Veterans’ Affairs, and Related Agen-  
18 cies of the Committees on Appropriations of the  
19 House of Representatives and the Senate.

20 “(2) The term ‘Senior Procurement Executive’  
21 means the official of the Department designated  
22 under section 1702(c) of title 41.”.

23 (2) CLERICAL AMENDMENT.—The table of sec-  
24 tions at the beginning of such chapter is amended  
25 by adding at the end the following:



## “SUBCHAPTER VI—INNOVATION

“Sec. 7391. Office of Innovation.

“Sec. 7392. Hiring authorities.

“Sec. 7393. Acceleration fund.

“Sec. 7394. Agreements with non-Department entities for access to key assets of the Department.

“Sec. 7395. Advance market commitments.

“Sec. 7396. Other transactional authorities.

1       (c) CONFORMING AMENDMENT.—Section 7361 of  
2 title 38, United States Code, is amended—

3           (1) in subsection (a), by striking “either re-  
4 search or education or both research and education”  
5 and inserting “research, education, or innovation  
6 under subchapter VI of this chapter, or any com-  
7 bination thereof”; and

8           (2) in subsection (b)(1), by striking “research,  
9 education, or both” and inserting “research, edu-  
10 cation, or innovation under subchapter VI of this  
11 chapter, or any combination thereof”.

12       (d) IMPLEMENTATION.—Not later than 120 days  
13 after the date of the enactment of this Act, the Secretary  
14 of Veterans Affairs shall carry out the amendments made  
15 by this section.

○