

105TH CONGRESS  
1ST SESSION

# H. R. 1362

To establish a demonstration project to provide for Medicare reimbursement for health care services provided to certain Medicare-eligible veterans in selected facilities of the Department of Veterans Affairs.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. STUMP (for himself, Mr. EVANS, Mr. STEARNS, Mr. GUTIERREZ, Mr. SMITH of New Jersey, Mr. KENNEDY of Massachusetts, Mr. EVERETT, Mr. FILNER, Mr. QUINN, Mr. CLYBURN, Mr. DAN SCHAEFER of Colorado, Ms. BROWN of Florida, Mr. MORAN of Kansas, Mr. DOYLE, Mr. COOKSEY, Mr. MASCARA, Mr. HUTCHINSON, Mr. PETERSON of Minnesota, Mrs. CHENOWETH, Ms. CARSON, Mr. LAHOOD, Mr. REYES, Mr. HAYWORTH, Mr. SNYDER, and Mr. BARRETT of Nebraska) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, and Veterans' Affairs, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To establish a demonstration project to provide for Medicare reimbursement for health care services provided to certain Medicare-eligible veterans in selected facilities of the Department of Veterans Affairs.

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

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Veterans Medicare Re-  
3 imbursement Demonstration Act of 1997”.

4 **SEC. 2. ESTABLISHMENT OF DEMONSTRATION PROJECT.**

5       (a) **AUTHORITY.**—

6           (1) **IN GENERAL.**—The Secretary of Veterans  
7       Affairs and the Secretary of Health and Human  
8       Services shall jointly carry out a demonstration  
9       project under which the Secretary of Health and  
10      Human Services provides the Department of Veter-  
11      ans Affairs with reimbursement, determined in ac-  
12      cordance with section 3, from the medicare program  
13      for health care services provided to targeted medi-  
14      care-eligible veterans in or through facilities of the  
15      Department of Veterans Affairs selected under sub-  
16      section (b).

17          (2) **DURATION.**—The Secretaries shall conduct  
18      the demonstration project during the three-year pe-  
19      riod beginning on January 1, 1998.

20          (3) **WAIVER OF CERTAIN MEDICARE REQUIRE-**  
21      **MENTS.**—To the extent necessary to carry out the  
22      demonstration project, the Secretary of Health and  
23      Human Services may waive any requirement of part  
24      B of title XI of the Social Security Act, title XVIII  
25      of that Act, or a related provision of law.

26      (b) **SELECTION OF PARTICIPATING FACILITIES.**—

1           (1) DESIGNATION OF SERVICE AREAS COV-  
2           ERED.—The Secretary of Veterans Affairs shall des-  
3           ignate up to three geographic service areas from  
4           which facilities are selected to participate in the  
5           demonstration project.

6           (2) FACILITY SELECTION.—

7                   (A) IN GENERAL.—The Secretary, in con-  
8                   sultation with the Secretary of Health and  
9                   Human Services, shall establish a plan for the  
10                  selection of facilities under the jurisdiction of  
11                  the Secretary and located within a geographic  
12                  service area designated under paragraph (1) to  
13                  participate in the project.

14                  (B) GENERAL CRITERIA.—The selection  
15                  plan shall favor selection of those facilities that  
16                  are suited to serve targeted medicare-eligible in-  
17                  dividuals because—

18                          (i) there is a high potential demand  
19                          by targeted medicare-eligible veterans for  
20                          their services;

21                          (ii) they have sufficient capability in  
22                          billing and accounting to participate;

23                          (iii) they have favorable indicators of  
24                          quality of care, including patient satisfac-  
25                          tion; and

1 (iv) they meet other relevant factors  
2 identified in the plan.

3 (C) FACILITY NEAR CLOSED BASE.—There  
4 shall be at least one facility selected that is in  
5 the same catchment area as a military medical  
6 facility which was closed pursuant to either of  
7 the following laws:

8 (i) The Defense Base Closure and Re-  
9 alignment Act of 1990 (part A of title  
10 XXIX of Public Law 101–510; 10 U.S.C.  
11 2687 note).

12 (ii) Title II of the Defense Authoriza-  
13 tion Amendments and Base Closure and  
14 Realignment Act (Public Law 100–526; 10  
15 U.S.C. 2687 note).

16 (c) VOLUNTARY PARTICIPATION.—Participation of  
17 targeted medicare-eligible veterans in the demonstration  
18 project shall be voluntary, subject to the capacity of par-  
19 ticipating facilities and the funding limitations specified  
20 in section 3.

21 (d) COST SHARING.—The Secretary shall establish  
22 cost-sharing requirements for veterans participating in the  
23 demonstration project. Those requirements shall be the  
24 same as the requirements that apply to targeted medicare-  
25 eligible patients at nongovernmental facilities.

1 (e) CREDITING OF PAYMENTS.—Payments received  
2 by the Secretary under the demonstration project shall be  
3 credited to the applicable Department of Veterans Affairs  
4 medical appropriation.

5 **SEC. 3. DETERMINATION OF REIMBURSEMENT AMOUNTS.**

6 (a) PAYMENTS BASED ON 95 PERCENT OF REGULAR  
7 MEDICARE PAYMENT RATES.—

8 (1) IN GENERAL.—Subject to the succeeding  
9 provisions of this section, the Secretary of Health  
10 and Human Services shall reimburse the Secretary  
11 of Veterans Affairs for services provided under the  
12 demonstration project at a rate equal to 95 percent  
13 of the amounts that otherwise would be payable  
14 under the medicare program on a non-capitated  
15 basis for such services if the facility were not a Fed-  
16 eral facility, were participating in the program, and  
17 imposed charges for such services. In cases in which  
18 a payment amount may not otherwise be readily  
19 computed, the Secretaries shall establish rules for  
20 computing equivalent or comparable payment  
21 amounts.

22 (2) PERIODIC PAYMENTS FROM MEDICARE  
23 TRUST FUNDS.—Payments under this section shall  
24 be made—

1 (A) on a periodic basis consistent with the  
2 periodicity of payments under the medicare pro-  
3 gram; and

4 (B) in appropriate part, as determined by  
5 the Secretary of Health and Human Services,  
6 from the Federal Hospital Insurance Trust  
7 Fund and the Federal Supplementary Medical  
8 Insurance Trust Fund.

9 (3) ANNUAL LIMIT ON MEDICARE PAYMENTS.—

10 The amount paid to the Department of Veterans Af-  
11 fairs under this section for any year for the dem-  
12 onstration project may not exceed \$50,000,000.

13 (b) REDUCTION IN PAYMENT FOR FAILURE TO  
14 MAINTAIN VA EFFORT.—

15 (1) IN GENERAL.—In order to avoid shifting  
16 onto the medicare program the costs of the Depart-  
17 ment of Veterans Affairs for hospital care and medi-  
18 cal services for targeted medicare-eligible veterans,  
19 the payment amounts under this section for the  
20 project for a year shall be reduced by the amount (if  
21 any) by which—

22 (A) the amount of the actual VA medical  
23 expenditures for targeted veterans (as defined  
24 in paragraph (3)) for the fiscal year ending in  
25 such year, is less than

1 (B) the amount of the maintenance of ef-  
2 fort level for such fiscal year, as determined  
3 under paragraph (2).

4 (2) MAINTENANCE OF EFFORT LEVELS.—The  
5 maintenance of effort level for any fiscal year is the  
6 amount equal to the maintenance of effort level for  
7 the preceding fiscal year or, in the case of fiscal year  
8 1998, the amount of VA medical expenditures for  
9 targeted veterans (as defined in paragraph (3)) for  
10 fiscal year 1997—

11 (A) increased or decreased by the same  
12 percentage as the percentage by which the  
13 amount of the medical care appropriation for  
14 the Department of Veterans Affairs for that fis-  
15 cal year exceeds (or is less than, respectively)  
16 the amount of such appropriation for the pre-  
17 ceding fiscal year; and

18 (B) decreased by the amount of the de-  
19 crease (if any) in VA medical expenditures for  
20 targeted veterans for that fiscal year (relative  
21 to the preceding fiscal year) that, as estimated  
22 by the Secretaries, results from—

23 (i) a rate of increase in the level of  
24 medical care appropriations for the De-  
25 partment of Veterans Affairs described in

1           subparagraph (A) that is less than the  
2           general rate of increase in health care  
3           costs; and

4           (ii) the reduction in priority in deliv-  
5           ery of services to targeted medicare-eligible  
6           veterans attributable to the amendments  
7           made by title I of the Veterans' Health  
8           Care Eligibility Reform Act of 1996 (Pub-  
9           lic Law 104–262; 110 Stat. 3177) and to  
10          implementation of the plan developed pur-  
11          suant to section 429 of Public Law 104–  
12          204 (110 Stat. 2929).

13          (3) VA MEDICAL EXPENDITURES FOR TAR-  
14          GETED VETERANS DEFINED.—For purposes of this  
15          subsection, the term “VA medical expenditures for  
16          targeted veterans” means, with respect to a fiscal  
17          year, the amount expended by the Department of  
18          Veterans Affairs during the fiscal year for providing  
19          hospital care and medical services under chapter 17  
20          of title 38, United States Code to targeted medicare-  
21          eligible veterans. Such amount does not include—

22                (A) expenditures for the conduct of medi-  
23                cal examinations to adjudicate claims under  
24                such title, or



1 (B) expenditures attributable to services  
2 for which reimbursement is made under the  
3 demonstration project.

4 (c) ASSURING NO INCREASE IN COST TO MEDICARE  
5 PROGRAM.—

6 (1) MONITORING IMPACT ON COSTS TO MEDI-  
7 CARE PROGRAM.—

8 (A) IN GENERAL.—The Secretaries, in  
9 consultation with the Comptroller General, shall  
10 closely monitor the expenditures made under  
11 the medicare program for targeted medicare-eli-  
12 gible veterans during the period of the dem-  
13 onstration project compared to the expenditures  
14 that would have been made for such veterans  
15 during that period if the demonstration project  
16 had not been conducted.

17 (B) AUDITING BY THE COMPTROLLER  
18 GENERAL.—Not later than December 31 of  
19 each year during which the demonstration  
20 project is conducted, the Comptroller General  
21 shall determine and submit to the Secretaries  
22 and the appropriate committees of Congress a  
23 report on the extent, if any, to which the costs  
24 of the Secretary of Health and Human Services  
25 under the medicare program increased during

the preceding fiscal year as a result of the demonstration project.

(2) REQUIRED RESPONSE IN CASE OF INCREASE IN COSTS.—

(A) IN GENERAL.—If the Secretaries find, based on paragraph (1), that the expenditures under the medicare program increased (or are expected to increase) during a fiscal year because of the demonstration project, the Secretaries shall take such steps as may be needed—

(i) to recoup for the medicare program the amount of such increase in expenditures; and

(ii) to prevent any such increase in the future.

(B) STEPS.—Such steps—

(i) under subparagraph (A)(i) shall include payment of the amount of such increased expenditures by the Secretary from the current medical care appropriation of the Department of Veterans Affairs to the trust funds under the medicare trust program; and

1 (ii) under subparagraph (A)(ii) shall  
2 include suspending or terminating the  
3 demonstration project (in whole or in part)  
4 or substitution of a lower percentage for  
5 95 percent under subsection (a)(1).

6 **SEC. 4. EVALUATION AND REPORTS.**

7 (a) ANNUAL REPORT BY INDEPENDENT ENTITY.—

8 (1) IN GENERAL.—The Secretaries shall ar-  
9 range for an independent entity with expertise in the  
10 evaluation of health services to conduct an ongoing  
11 evaluation of the demonstration project.

12 (2) ANNUAL REPORTS.—The entity shall sub-  
13 mit a report on the project jointly to the Secretaries  
14 and to the appropriate committees of the Congress  
15 not later than March 1 following each year during  
16 which the project is conducted.

17 (3) ASSESSMENT.—Each such report shall in-  
18 clude the results of the evaluation under subsection  
19 (a), including an assessment of each of the following:

20 (A) The cost to the Department of Veter-  
21 ans Affairs of providing care to veterans under  
22 the project.

23 (B) Compliance of participating facilities  
24 with applicable measures of quality of care,

1 compared to such compliance for other medi-  
2 care-participating facilities.

3 (C) A comparison of the costs of facilities'  
4 participation in the program with the reim-  
5 bursements provided for services of such facili-  
6 ties.

7 (D) Any savings or costs to the medicare  
8 programs from the project.

9 (E) Any change in access to care or quality  
10 of care for targeted medicare-eligible veterans  
11 participating in the project.

12 (F) Any effect of the project on the access  
13 to care of veterans who did not participate in  
14 the project and of targeted medicare-eligible  
15 veterans.

16 (b) REPORT ON EXTENSION AND EXPANSION OF  
17 DEMONSTRATION PROJECT.—Not later than six months  
18 after the date of the submission of the final report under  
19 subsection (a), the Secretaries shall submit to the Con-  
20 gress a report containing their recommendation as to—

21 (1) whether to extend the demonstration project  
22 or make it permanent;

23 (2) whether to expand the project to cover addi-  
24 tional sites and areas and to increase the maximum

1 amount of reimbursement under the project in any  
2 year; and

3 (3) whether the terms and conditions of the  
4 project should be continued (or modified) if the  
5 project is extended or expanded.

6 (c) RECOMMENDATION CONCERNING NEW DEM-  
7 ONSTRATION PROJECT FOR PAYMENT TO MANAGED  
8 HEALTH-CARE PLANS.—Not later than March 1, 1999,  
9 the Secretaries shall submit to the appropriate committees  
10 of the Congress a report on the feasibility and advisability  
11 of establishing a new demonstration project to reimburse  
12 the Secretary of Veterans Affairs under section 1876(a)  
13 of the Social Security Act for health care services fur-  
14 nished to targeted medicare-eligible veterans enrolled in  
15 managed health-care plans established by the Secretary.

16 **SEC. 5. DEFINITIONS.**

17 For the purpose of this Act:

18 (1) DEMONSTRATION PROJECT; PROJECT.—The  
19 terms “demonstration project” and “project” mean  
20 the demonstration project carried out under section  
21 2(a).

22 (2) GEOGRAPHIC SERVICE AREA.—The term  
23 “geographic service area” means a field component  
24 of the Veterans Health Administration that—

1 (A) is based on a geographic area which  
2 encompasses a population of veteran bene-  
3 ficiaries and is defined on the basis of natural  
4 patient referral patterns; and

5 (B) provides health care through strategic  
6 alliances among Department of Veterans Af-  
7 fairs medical centers, clinics, and other sites.

8 (3) MEDICARE PROGRAM.—The term “medicare  
9 program” means the programs of health benefits  
10 provided under title XVIII of the Social Security Act  
11 (42 U.S.C. 1395 et seq.).

12 (4) SECRETARY; SECRETARIES.—Unless other-  
13 wise provided, the term “Secretary” means the Sec-  
14 retary of Veterans Affairs and the term “Secretar-  
15 ies” means the Secretary of Veterans Affairs and  
16 the Secretary of Health and Human Services acting  
17 jointly.

18 (5) TARGETED MEDICARE-ELIGIBLE VET-  
19 ERAN.—The term “targeted medicare-eligible vet-  
20 eran” means an individual—

21 (A) who is a veteran (as defined in section  
22 101(2) of title 38, United States Code) de-  
23 scribed in section 1710(a)(3) of title 38, United  
24 States Code;

1           (B) who is entitled to hospital insurance  
2           benefits under part A of the medicare program  
3           and enrolled in the supplementary medical in-  
4           surance program under part B of the medicare  
5           program; and

6           (C) whose annual income is an amount be-  
7           tween the applicable income threshold under  
8           section 1722(b) of title 38, United States Code,  
9           and the amount equal to three times the  
10          amount of such applicable income threshold.

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