

Calendar No. 415

106TH CONGRESS
1ST SESSION

S. 1928

[Report No. 106-222]

A BILL

To amend title XVIII of the Social Security Act to
establish a medicare subvention demonstration
project for veterans, and for other purposes.

NOVEMBER 16, 1999

Read twice and placed on the calendar

Calendar No. 415

106TH CONGRESS
1ST SESSION**S. 1928****[Report No. 106-222]**

To amend title XVIII of the Social Security Act to establish a medicare subvention demonstration project for veterans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 16, 1999

Mr. ROTH, from the Committee on Finance, reported the following original bill; which was read twice and placed on the calendar

A BILL

To amend title XVIII of the Social Security Act to establish a medicare subvention demonstration project for veterans, 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 “Medicare Subvention
 5 Demonstration for Veterans Act of 1999”.

1 **SEC. 2. ESTABLISHMENT OF MEDICARE SUBVENTION DEM-**
 2 **ONSTRATION PROJECT FOR VETERANS.**

3 Title XVIII of the Social Security Act (42 U.S.C.
 4 1395 et seq.) is amended by adding at the end the fol-
 5 lowing:

6 “MEDICARE SUBVENTION DEMONSTRATION PROJECT FOR
 7 VETERANS

8 “SEC. 1897. (a) DEFINITIONS.—In this section:

9 “(1) ADMINISTERING SECRETARIES.—The term
 10 ‘administering Secretaries’ means the Secretary and
 11 the Secretary of Veterans Affairs acting jointly.

12 “(2) DEMONSTRATION PROJECT.—The term
 13 ‘demonstration project’ means the demonstration
 14 project carried out under this section.

15 “(3) DEMONSTRATION SITE.—

16 “(A) IN GENERAL.—Subject to subpara-
 17 graph (B), the term ‘demonstration site’ means
 18 a Veterans Affairs medical facility that pro-
 19 vides, alone or in conjunction with other facili-
 20 ties under the jurisdiction of the Secretary of
 21 Veterans Affairs and affiliated public or private
 22 entities—

23 “(i) in the case of a coordinated care
 24 health plan, the health care benefits pre-
 25 scribed in subsection (c)(3) to targeted
 26 medicare-eligible veterans residing within

the service area (as prescribed under regulations for the Medicare+Choice program under part C); and

“(ii) in the case of health care benefits being provided on a fee-for-service basis, the health care benefits prescribed in subsection (d)(2) to targeted medicare-eligible veterans.

“(B) EXCLUSION.—The term ‘demonstration site’ shall not include the entire catchment area of a Veterans Integrated Services Network (VISN).

“(4) MEDICARE HEALTH CARE SERVICES.—The term ‘medicare health care services’ means items or services covered under part A or B of this title.

“(5) TARGETED MEDICARE-ELIGIBLE VETERAN.—The term ‘targeted medicare-eligible veteran’ means an individual who—

“(A) is a veteran (as defined in section 101 of title 38, United States Code) who is eligible for care and services under section 1705(a)(7) of title 38, United States Code;

“(B) has attained age 65;

“(C) is entitled to, or enrolled for, benefits under part A of this title; and

1 “(D) is enrolled for benefits under part B
2 of this title.

3 “(6) TRUST FUNDS.—The term ‘trust funds’
4 means the Federal Hospital Insurance Trust Fund
5 established in section 1817 and the Federal Supple-
6 mentary Medical Insurance Trust Fund established
7 in section 1841.

8 “(7) VETERANS AFFAIRS MEDICAL FACILITY.—
9 The term ‘Veterans Affairs medical facility’ means a
10 medical facility as defined in section 8101 of title
11 38, United States Code.

12 “(b) DEMONSTRATION PROJECT.—

13 “(1) IN GENERAL.—

14 “(A) ESTABLISHMENT.—The admin-
15 istering Secretaries are authorized to establish
16 a demonstration project (under agreements en-
17 tered into by the administering Secretaries)
18 under which the Secretary shall reimburse the
19 Secretary of Veterans Affairs, from the trust
20 funds, for medicare health care services fur-
21 nished to targeted medicare-eligible veterans.

22 “(B) AGREEMENT.—Any agreement en-
23 tered into under this paragraph shall include at
24 a minimum—

1 “(i) a detailed description of the
2 health care benefits to be provided to the
3 participants of the demonstration project
4 established under this section;

5 “(ii) a description of the eligibility
6 rules for participation in the demonstration
7 project, including any criteria established
8 under subsection (e), any premiums estab-
9 lished for a coordinated care health plan,
10 and any cost-sharing arrangements;

11 “(iii) a description of how the dem-
12 onstration project will satisfy the require-
13 ments under this title;

14 “(iv) a description of the demonstra-
15 tion sites selected under paragraph (2);

16 “(v) a description of how reimburse-
17 ment requirements under subsection (k),
18 maintenance of effort requirements under
19 subsection (l), and the annual reconcili-
20 ation under subsection (m) will be imple-
21 mented in the demonstration project;

22 “(vi) a statement that the Secretary
23 shall have access to all data of the Depart-
24 ment of Veterans Affairs that the Sec-
25 retary determines is necessary to conduct

1 independent estimates and audits of the
2 maintenance of effort requirement under
3 subsection (l), the annual reconciliation
4 under subsection (m), and related matters
5 required under the demonstration project;

6 “(vii) a statement that the Comp-
7 troller General of the United States shall
8 have access to all data of the Department
9 of Veterans Affairs that the Comptroller
10 General determines is necessary to carry
11 out the reporting requirements under sub-
12 sections (m) or (n).

13 “(viii) a description of any require-
14 ment that the Secretary waives pursuant
15 to subsection (c)(4) or (d)(4); and

16 “(ix) a certification, provided after re-
17 view by the administering Secretaries, that
18 any facility or entity described in sub-
19 section (a)(3)(A) that is receiving pay-
20 ments by reason of the demonstration
21 project has sufficient—

22 “(I) resources and expertise to
23 provide, consistent with payment re-
24 quirements under subsection (k), the
25 health care benefits required to be

provided to beneficiaries under the demonstration project (as established under subsections (c)(3) and (d)(2)); and

“(II) information and billing systems in place to ensure—

“(aa) accurate and timely submission of claims for health care benefits to the Secretary; and

“(bb) that providers of health care services that are not affiliated with the Department of Veterans Affairs are reimbursed by the Secretary of Veterans Affairs in a timely and accurate manner.

“(C) SEPARATE AGREEMENTS FOR COORDINATED CARE AND FEE-FOR-SERVICE.—The administering Secretaries shall enter into separate agreements with regard to demonstration sites operating under a coordinated care health plan model and a fee-for-service model, and shall include in each agreement only such information that is applicable to that model.

1 “(2) NUMBER OF DEMONSTRATION SITES.—

2 “(A) IN GENERAL.—Subject to the suc-
3 ceeding provisions of this paragraph, the dem-
4 onstration project established under this section
5 shall be conducted in not more than 8 dem-
6 onstration sites, designated jointly by the ad-
7 ministering Secretaries.

8 “(B) EQUAL NUMBER OF COORDINATED
9 CARE AND FEE-FOR-SERVICE SITES.—The ad-
10 ministrating Secretaries shall—

11 “(i) ensure that the number of dem-
12 onstration sites operated under a coordi-
13 nated care health plan model equals the
14 number of demonstration sites operated
15 under a fee-for-service model; and

16 “(ii) attempt to ensure that the vol-
17 ume of medicare health care services pro-
18 vided under the demonstration project at
19 demonstration sites operated under a co-
20 ordinated care health plan model is the
21 same as the volume of such services pro-
22 vided at demonstration sites operated
23 under a fee-for-service model.

1 “(C) RESTRICTION.—A demonstration site
 2 may not operate under both a coordinated care
 3 health plan model and a fee-for-service model.

4 “(D) DEMONSTRATION SITES IN RURAL
 5 AREAS.—At least 1 of each of the following
 6 demonstration sites shall be selected for inclu-
 7 sion in the demonstration project:

8 “(i) A demonstration site that is oper-
 9 ated under a coordinated care health plan
 10 model and that serves a predominantly
 11 rural area.

12 “(ii) A demonstration site that is op-
 13 erated under a fee-for-service model and
 14 that serves a predominantly rural area.

15 “(3) RESTRICTION ON NEW OR EXPANDED FA-
 16 CILITIES.—No new Veterans Affairs medical facili-
 17 ties may be built or expanded with funds from the
 18 demonstration project.

19 “(4) DURATION.—

20 “(A) COORDINATED CARE HEALTH PLAN
 21 MODEL.—The authority of the administering
 22 Secretaries to conduct the demonstration
 23 project under a coordinated care health plan
 24 model shall—

25 “(i) begin on January 1, 2000; and

1 “(ii) terminate on the earlier of—

2 “(I) the date which is 3 years
3 after the date enrollment in a coordi-
4 nated care health plan begins at any
5 demonstration site using such a
6 model; or

7 “(II) December 31, 2003.

8 “(B) FEE-FOR-SERVICE MODEL.—The au-
9 thority of the administering Secretaries to con-
10 duct the demonstration under a fee-for-service
11 model shall—

12 “(i) begin on January 1, 2001; and

13 “(ii) terminate on the earlier of—

14 “(I) the date which is 3 years
15 after the date that health care bene-
16 fits begin to be provided at any dem-
17 onstration site using such a model; or

18 “(II) December 31, 2004.

19 “(c) COORDINATED CARE HEALTH PLAN MODEL.—

20 “(1) IN GENERAL.—The Secretary of Veterans
21 Affairs shall establish and operate coordinated care
22 health plans in order to provide the health care ben-
23 efits prescribed in paragraph (3) to targeted medi-
24 care-eligible veterans enrolled in the demonstration
25 project consistent with part C of this title.

1 “(2) OPERATION BY OR THROUGH A DEM-
2 ONSTRATION SITE.—Any coordinated care health
3 plan established in accordance with paragraph (1)
4 shall be operated by or through a demonstration
5 site.

6 “(3) HEALTH CARE BENEFITS.—

7 “(A) IN GENERAL.—Subject to subpara-
8 graph (B), the Secretary of Veterans Affairs
9 shall prescribe the health care benefits to be
10 provided to a targeted medicare-eligible veteran
11 enrolled in a coordinated care health plan under
12 the demonstration project.

13 “(B) MINIMUM BENEFITS.—The benefits
14 prescribed by the Secretary of Veterans Affairs
15 pursuant to subparagraph (A) shall include at
16 least all medicare health care services that are
17 required to be provided by a Medicare+Choice
18 organization under part C.

19 “(4) MEDICARE REQUIREMENTS.—

20 “(A) IN GENERAL.—

21 “(i) REQUIREMENTS.—Except as pro-
22 vided under clause (ii), a coordinated care
23 health plan operating under the dem-
24 onstration project shall meet all require-
25 ments applicable to a Medicare+Choice

1 plan under part C of this title and regula-
2 tions pertaining thereto, and any other re-
3 quirements for receiving payments under
4 this title, except that the prohibition of
5 payments to Federal providers of services
6 under sections 1814(c) and 1835(d), and
7 paragraphs (2) and (3) of section 1862(a),
8 shall not apply.

9 “(ii) WAIVER.—Except with respect to
10 any requirement described in subparagraph
11 (B), the Secretary is authorized to waive
12 any requirement described in clause (i), or
13 approve equivalent or alternative ways of
14 meeting such a requirement, but only if
15 such waiver or approval—

16 “(I) reflects the unique status of
17 the Department of Veterans Affairs as
18 an agency of the Federal Government;
19 and

20 “(II) is necessary to carry out, or
21 improve the efficiency of, the dem-
22 onstration project.

23 “(B) BENEFICIARY PROTECTIONS AND
24 OTHER MATTERS.—A coordinated care health
25 plan shall comply with the requirements of part

C of this title that relate to beneficiary protections and other related matters, including such requirements relating to the following areas:

“(i) Enrollment and disenrollment.

“(ii) Nondiscrimination.

“(iii) Information provided to beneficiaries.

“(iv) Cost-sharing limitations.

“(v) Appeal and grievance procedures.

“(vi) Provider participation.

“(vii) Access to services.

“(viii) Quality assurance and external review.

“(ix) Advance directives.

“(x) Other areas of beneficiary protections that the Secretary determines are applicable to a coordinated health care plan operating under the demonstration project.

“(d) FEE-FOR-SERVICE MODEL.—

“(1) IN GENERAL.—The Secretary of Veterans Affairs shall establish and operate a demonstration site in order to provide, on a fee-for-service basis, the medicare health care services prescribed in paragraph (2) to targeted medicare-eligible veterans

1 under the demonstration project in a manner con-
2 sistent with this title.

3 “(2) HEALTH CARE BENEFITS.—The admin-
4 istering Secretaries shall prescribe the medicare
5 health care services available to a targeted medicare-
6 eligible veteran at a demonstration site operating
7 under a fee-for-service model.

8 “(3) COST-SHARING.—The Secretary of Vet-
9 erans Affairs shall establish cost-sharing require-
10 ments for targeted medicare-eligible veterans that
11 receive medicare health care services under a fee-for-
12 service model at a demonstration site. Such cost-
13 sharing requirements shall be the same as those re-
14 quired under this title.

15 “(4) MEDICARE REQUIREMENTS.—

16 “(A) IN GENERAL.—Except as provided
17 under subparagraph (B), any entity or health
18 care provider that provides medicare health care
19 services under the demonstration project on a
20 fee-for-service basis shall meet all of the re-
21 quirements under this title, except that the pro-
22 hibition of payments to Federal providers of
23 services under sections 1814(c) and 1835(d),
24 and paragraphs (2) and (3) of section 1862(a),
25 shall not apply.

1 “(B) WAIVER.—The Secretary is author-
 2 ized to waive any requirement described under
 3 subparagraph (A), or approve equivalent or al-
 4 ternative ways of meeting such a requirement,
 5 but only if such waiver or approval—

6 “(i) reflects the unique status of the
 7 Department of Veterans Affairs as an
 8 agency of the Federal Government; and

9 “(ii) is necessary to carry out, or im-
 10 prove the efficiency of, the demonstration
 11 project.

12 “(5) VERIFICATION OF ELIGIBILITY.—

13 “(A) IN GENERAL.—The Secretary of Vet-
 14 erans Affairs shall establish procedures for de-
 15 termining whether an individual is eligible to re-
 16 ceive medicare health care services on a fee-for-
 17 service basis under the demonstration project.

18 “(B) RESTRICTION.—No payments shall
 19 be made under this section for any medicare
 20 health care service provided to an individual on
 21 a fee-for-service basis under the demonstration
 22 project unless the individual has been deter-
 23 mined to be eligible for the service pursuant to
 24 the procedures established under subparagraph
 25 (A).

1 “(e) DEMONSTRATION SITE REQUIREMENTS.—The
 2 Secretary of Veterans Affairs may operate a coordinated
 3 care health plan at a demonstration site, may provide
 4 medicare health care services using the fee-for-service
 5 model at a demonstration site, and may authorize a dem-
 6 onstration site to submit claims for payment under the
 7 demonstration project only after the Secretary of Veterans
 8 Affairs submits to the committees of jurisdiction of Con-
 9 gress a report setting forth a plan for the establishment
 10 of such demonstration site and for the oversight by the
 11 Secretary of Veterans Affairs of the demonstration project
 12 conducted at such demonstration site. The administering
 13 Secretaries may not implement the plan until the Sec-
 14 retary of Veterans Affairs has received from the Inspector
 15 General of the Department of Health and Human Serv-
 16 ices, and has forwarded to Congress, certification that—

17 “(1) the—

18 “(A) cost accounting and related trans-
 19 action systems of the Veterans Health Adminis-
 20 tration provide cost information and encounter
 21 data regarding health care delivered at each
 22 demonstration site (or delivered by any entity
 23 or health care provider with which the Sec-
 24 retary of Veterans Affairs has a contract or

1 sharing agreement) on an inpatient and out-
2 patient basis; and

3 “(B) cost information and encounter data
4 provided by such systems is accurate, reliable,
5 and consistent across all the demonstration
6 sites;

7 “(2) the Secretary of Veterans Affairs has
8 minimized the risk that any amount appropriated to
9 the Department of Veterans Affairs will be required
10 to meet any obligation of the demonstration sites
11 under the demonstration project to a targeted medi-
12 care-eligible veteran by developing a credible plan—

13 “(A) based on market surveys, data from
14 the Decision Support System, actuarial anal-
15 ysis, and other appropriate methods; and

16 “(B) taking into account the level of pay-
17 ment under subsection (k) and the costs of
18 health care benefits provided at the demonstra-
19 tion sites with regard to each demonstration
20 site;

21 “(3) each demonstration site has the capacity
22 to provide to a sufficient number of targeted medi-
23 care-eligible veterans, at a minimum—

1 “(A) under the coordinated care health
 2 plan model, the health care benefits prescribed
 3 in subsection (c)(3); or

4 “(B) under the fee-for-service model, the
 5 health care benefits prescribed in subsection
 6 (d)(2); and

7 “(4) the Veterans Affairs medical facility ad-
 8 ministering the demonstration site has sufficient sys-
 9 tems and safeguards in place to minimize any risk
 10 that instituting the coordinated care health plan
 11 model or the fee-for-service model will result in
 12 reducing—

13 “(A) the quality of care delivered to par-
 14 ticipants in the demonstration project; or

15 “(B) the quality of, or the access to, care
 16 to veterans not participating in the demonstra-
 17 tion project.

18 “(f) VOLUNTARY PARTICIPATION.—Participation of a
 19 targeted medicare-eligible veteran in the demonstration
 20 project shall be voluntary, subject to the capacity of par-
 21 ticipating demonstration sites and the annual limitations
 22 on medicare payments specified in subsection (k)(4), and
 23 shall be subject to such terms and conditions as the ad-
 24 ministering Secretaries may establish.

1 “(g) CREDITING OF PAYMENTS.—A payment re-
2 ceived by the Secretary of Veterans Affairs under the dem-
3 onstration project shall be credited to the applicable De-
4 partment of Veterans Affairs medical appropriation unless
5 the Secretary of Veterans Affairs has a compelling reason
6 to do otherwise. Any such payment received during a fiscal
7 year for services provided during a prior fiscal year may
8 be obligated by the Secretary of Veterans Affairs during
9 the fiscal year during which the payment is received.

10 “(h) WAIVER OF CERTAIN VA REQUIREMENTS.—
11 Notwithstanding any other provision of law, the Secretary
12 of Veterans Affairs shall furnish medicare health care
13 services to targeted medicare-eligible veterans pursuant to
14 the demonstration project.

15 “(i) INSPECTOR GENERAL.—Nothing in any agree-
16 ment entered into under subsection (b) shall limit the In-
17 specter General of the Department of Health and Human
18 Services from investigating any matters regarding the ex-
19 penditure of funds under this title for the demonstration
20 project, including compliance with the provisions of this
21 title and all other relevant laws.

22 “(j) REPORT.—

23 “(1) IN GENERAL.—At least 30 days prior to
24 the commencement of the demonstration project (for
25 both the coordinated care health plan model and the

1 fee-for-service model), the administering Secretaries
 2 shall submit a copy of any agreement entered into
 3 under subsection (b) to the committees of jurisdic-
 4 tion of Congress.

5 “(2) SUBSEQUENT WAIVER OF MEDICARE RE-
 6 QUIREMENTS.—If the Secretary waives any require-
 7 ment under subsection (c)(4) or (d)(4) that was not
 8 described in any agreement submitted to Congress
 9 under paragraph (1), the Secretary shall submit a
 10 report to the committees of jurisdiction of Congress
 11 describing such waiver.

12 “(k) PAYMENTS BASED ON REGULAR MEDICARE
 13 PAYMENT RATES.—

14 “(1) AMOUNT.—Subject to the succeeding pro-
 15 visions of this subsection and subsection (m), the
 16 Secretary shall reimburse the Secretary of Veterans
 17 Affairs for health care benefits provided under the
 18 demonstration project at the following rates:

19 “(A) COORDINATED CARE HEALTH
 20 PLANS.—In the case of health care benefits pro-
 21 vided under the demonstration project to a tar-
 22 geted medicare-eligible veteran enrolled in a co-
 23 ordinated care health plan, at a rate equal to
 24 95 percent of the amount paid to a
 25 Medicare+Choice organization under part C for

1 an enrollee in a Medicare+Choice plan offered
 2 by such organization (as risk adjusted under
 3 section 1853(a)(1)(B)).

4 “(B) FEE-FOR-SERVICE MODEL.—In the
 5 case of a medicare health care service pre-
 6 scribed in subsection (d)(2) that is provided at
 7 a demonstration site operating under a fee-for-
 8 service model, at a rate equal to 95 percent of
 9 the amounts that otherwise would be payable
 10 under this title on a noncapitated basis for such
 11 service if the demonstration site was not part of
 12 this demonstration project, was participating in
 13 the medicare program, and imposed charges for
 14 such service.

15 “(2) EXCLUSION OF CERTAIN AMOUNTS.—In
 16 computing the amount of payment under paragraph
 17 (1), the following amounts shall be excluded:

18 “(A) DISPROPORTIONATE SHARE HOS-
 19 PITAL ADJUSTMENT.—Any amount attributable
 20 to an adjustment under section 1886(d)(5)(F).

21 “(B) DIRECT GRADUATE MEDICAL EDU-
 22 CATION PAYMENTS.—Any amount attributable
 23 to a payment under section 1886(h).

1 “(C) INDIRECT MEDICAL EDUCATION AD-
2 JUSTMENT.—Any amount attributable to the
3 adjustment under section 1886(d)(5)(B).

4 “(D) PERCENTAGE OF CAPITAL PAY-
5 MENTS.—67 percent of any amounts attrib-
6 utable to payments for capital-related costs
7 under medicare payment policies under section
8 1886(g).

9 “(3) PERIODIC PAYMENTS FROM MEDICARE
10 TRUST FUNDS.—Payments under this subsection
11 shall be made—

12 “(A) on a periodic basis consistent with
13 the periodicity of payments under this title; and

14 “(B) in appropriate part, as determined by
15 the Secretary, from the trust funds.

16 “(4) ANNUAL LIMIT ON MEDICARE PAY-
17 MENTS.—

18 “(A) COORDINATED CARE HEALTH PLAN
19 MODEL.—Subject to subparagraphs (C) and
20 (D), the total amount paid to the Department
21 of Veterans Affairs under this subsection for
22 enrollees in coordinated care health plans for
23 any of the 3 consecutive 12-month periods (the
24 first of which begins on the date that enroll-
25 ment in such a plan begins at any demonstra-

tion site) shall be equal to an amount determined appropriate by the administering Secretaries.

“(B) FEE-FOR-SERVICE MODEL.—Subject to subparagraphs (C) and (D), the total amount paid to the Department of Veterans Affairs under this subsection for health care benefits provided on a fee-for-service basis at a demonstration site for any of the 3 consecutive 12-month periods (the first of which begins on the date that benefits begin to be provided at any demonstration site using the fee-for-service model) shall be equal to an amount determined appropriate by the administering Secretaries.

“(C) NO PAYMENTS FOR BENEFITS PROVIDED AFTER TERMINATION DATE.—No amounts shall be paid to the Department of Veterans Affairs under this section for health care benefits provided under the demonstration project after the date that the project terminates pursuant to subparagraph (A)(ii) or (B)(ii) of subsection (b)(4).

“(D) CAP.—The sum of the amounts paid to the Department of Veterans Affairs under this section—

1 “(i) during the first 12-month periods
 2 described in subparagraphs (A) and (B)
 3 shall not exceed \$50,000,000;

4 “(ii) during the second 12-month peri-
 5 ods so described shall not exceed
 6 \$50,000,000; and

7 “(iii) during the third 12-month peri-
 8 ods so described shall not exceed
 9 \$50,000,000.

10 “(l) MAINTENANCE OF EFFORT.—The Secretary may
 11 not reimburse the Secretary of Veterans Affairs, from the
 12 trust funds, for medicare health care services furnished
 13 under the demonstration project to targeted medicare-eli-
 14 gible veterans at a demonstration site in a year until the
 15 expenditures during that year by the Department of Vet-
 16 erans Affairs for such services provided at that site to in-
 17 dividuals that meet the definition of a targeted medicare-
 18 eligible veteran under subsection (a)(4) (without regard to
 19 subparagraph (D) of such section) exceeds such expendi-
 20 tures at the site for such services provided to such individ-
 21 uals during a baseline period determined by the admin-
 22 istering Secretaries.

23 “(m) ANNUAL RECONCILIATION TO ASSURE NO IN-
 24 CREASE IN COSTS TO MEDICARE PROGRAM.—

1 “(1) MONITORING EFFECT OF DEMONSTRATION
2 PROGRAM ON COSTS TO MEDICARE PROGRAM.—

3 “(A) IN GENERAL.—The administering
4 Secretaries, in consultation with the Comp-
5 troller General of the United States, shall close-
6 ly monitor the expenditures made under the
7 medicare program under this title for targeted
8 medicare-eligible veterans at each demonstra-
9 tion site during the period of the demonstration
10 project compared to the expenditures that
11 would have been made for such veterans during
12 that period if the demonstration project had not
13 been conducted.

14 “(B) ANNUAL REPORTS BY THE COMP-
15 TROLLER GENERAL.—

16 “(i) COORDINATED CARE HEALTH
17 PLAN MODEL.—Not later than 6 months
18 after the end of each of the 3 consecutive
19 12-month periods (the first of which begins
20 on the date that enrollment in a coordi-
21 nated care health plan begins at any dem-
22 onstration site), the Comptroller General of
23 the United States shall submit to the ad-
24 ministering Secretaries and the appro-
25 priate committees of Congress a report on

1 the extent, if any, to which the costs of the
 2 Secretary under the medicare program
 3 under this title for each demonstration site
 4 operating under such a model increased as
 5 a result of the demonstration project dur-
 6 ing the 12-month period to which the re-
 7 port applies.

8 “(ii) FEE-FOR-SERVICE MODEL.—Not
 9 later than 6 months after the end of each
 10 of the 3 consecutive 12-month periods (the
 11 first of which begins on the date that
 12 medicare health care services begin to be
 13 provided at any demonstration site using
 14 such a fee-for-service model), the Comp-
 15 troller General of the United States shall
 16 submit to the administering Secretaries
 17 and the appropriate committees of jurisdic-
 18 tion of Congress a report described in
 19 clause (i) with respect to such a model.

20 “(2) REQUIRED RESPONSE IN CASE OF IN-
 21 CREASE IN COSTS.—

22 “(A) IN GENERAL.—If the administering
 23 Secretaries find, based on paragraph (1), that
 24 the expenditures under the medicare program
 25 under this title for each demonstration site in-

1 creased (or are expected to increase) during a
 2 fiscal year because of the demonstration
 3 project, the administering Secretaries shall take
 4 such steps as may be needed—

5 “(i) to recoup for the medicare pro-
 6 gram the amount of such increase in ex-
 7 penditures; and

8 “(ii) to prevent any such increase in
 9 any succeeding fiscal year.

10 “(B) STEPS.—Such steps—

11 “(i) under subparagraph (A)(i), shall
 12 include payment of an amount equal to the
 13 amount of such increased expenditures by
 14 the Secretary of Veterans Affairs from the
 15 current medical care appropriation of the
 16 Department of Veterans Affairs to the
 17 trust funds; and

18 “(ii) under subparagraph (A)(ii), shall
 19 include suspending or terminating the
 20 demonstration project (in whole or in part)
 21 or reducing the amount of payment under
 22 subsection (k).

23 “(n) EVALUATION AND REPORTS.—

24 “(1) INDEPENDENT EVALUATION.—

“(A) IN GENERAL.—The Comptroller General of the United States shall conduct an evaluation of the demonstration project, including—

“(i) an evaluation of demonstration sites operating under a coordinated care health plan model and under a fee-for-service model; and

“(ii) where appropriate, a comparison of such models.

“(B) CONTENTS.—Any evaluation conducted under subparagraph (A) shall include an assessment, based on the agreement entered into under subsection (b), of the following:

“(i) Any savings or costs to the medicare program under this title resulting from the demonstration project.

“(ii) Compliance of participating demonstration sites with applicable measures of quality of care, compared to such compliance by other entities that participate in medicare and are not Veterans Affairs medical facilities.

1 “(iii) Compliance by the Department
2 of Veterans Affairs with the requirements
3 under this title.

4 “(iv) The number of targeted medi-
5 care-eligible veterans opting to receive
6 health care benefits under the demonstra-
7 tion project instead of receiving such bene-
8 fits through another health insurance plan
9 (including health care benefits under this
10 title).

11 “(v) A comparison of the costs of par-
12 ticipation of the demonstration sites in the
13 program with the reimbursements for
14 health care services provided by such sites.

15 “(vi) Any impact the demonstration
16 project has on the access to health care
17 services, or the quality of such services,
18 for—

19 “(I) targeted medicare-eligible
20 veterans receiving health care benefits
21 under the demonstration project; and

22 “(II) veterans (including targeted
23 medicare-eligible veterans) that are
24 not receiving health care benefits
25 under the demonstration project.

1 “(vii) Any impact the demonstration
2 project has on private health care providers
3 and on beneficiaries under this title that
4 are not receiving health care benefits under
5 the demonstration project.

6 “(viii) Any effect that the demonstra-
7 tion project has on the enrollment in
8 Medicare+Choice plans offered by
9 Medicare+Choice organizations under part
10 C of this title in the established dem-
11 onstration site areas.

12 “(ix) Any impact that the exclusion of
13 the amounts described in subsection (k)(2)
14 from the reimbursement amounts under
15 the demonstration has on the Department
16 of Veterans Affairs or on targeted medi-
17 care-eligible veterans.

18 “(x) A description of the difficulties
19 (if any) experienced by—

20 “(I) the Department of Veterans
21 Affairs in managing the demonstra-
22 tion project; or

23 “(II) the Department of Health
24 and Human Services in overseeing the
25 demonstration project.

1 “(xi) Any additional elements speci-
 2 fied in the agreement entered into under
 3 subsection (b).

4 “(xii) Any additional elements that
 5 the Comptroller General of the United
 6 States determines are appropriate to as-
 7 sess regarding the demonstration project.

8 “(C) PERIODIC REPORTS.—

9 “(i) COORDINATED CARE HEALTH
 10 PLAN MODEL.—With respect to the portion
 11 of the demonstration project that is oper-
 12 ating under a coordinated care health plan
 13 model, the Comptroller General of the
 14 United States shall submit reports on the
 15 evaluation conducted under subparagraph
 16 (A) to the administering Secretaries and to
 17 the committees of jurisdiction of Congress
 18 as follows:

19 “(I) INITIAL REPORT.—An initial
 20 report shall be submitted not later
 21 than 12 months after the date that
 22 enrollment in a coordinated care
 23 health plan begins at any demonstra-
 24 tion site.

1 “(II) SECOND REPORT.—A sec-
 2 ond report shall be submitted not
 3 later than 30 months after such date.

4 “(III) FINAL REPORT.—A final
 5 report shall be submitted not later
 6 than 3½ years after such date.

7 “(ii) FEE-FOR-SERVICE MODEL.—
 8 With respect to the portion of the dem-
 9 onstration project that is operating under
 10 a fee-for-service model, the Comptroller
 11 General of the United States shall submit
 12 reports on the evaluation conducted under
 13 subparagraph (A) to the administering
 14 Secretaries and to the committees of juris-
 15 diction of Congress as follows:

16 “(I) INITIAL REPORT.—An initial
 17 report shall be submitted not later
 18 than 12 months after the date that
 19 medicare health care services begin to
 20 be provided at any demonstration site
 21 using such a model.

22 “(II) SECOND REPORT.—A sec-
 23 ond report shall be submitted not
 24 later than 30 months after such date.

1 “(III) FINAL REPORT.—A final
 2 report shall be submitted not later
 3 than 3½ years after such date.

4 “(2) REPORTS ON EXTENSION AND EXPANSION
 5 OF THE DEMONSTRATION PROJECT.—

6 “(A) COORDINATED CARE HEALTH PLAN
 7 MODEL.—With respect to the demonstration
 8 project that is operating under a coordinated
 9 care health plan model, not later than 3 months
 10 after the date of the submission of the final re-
 11 port by the Comptroller General of the United
 12 States under paragraph (1)(C)(i)(III), the ad-
 13 ministering Secretaries shall submit to the com-
 14 mittees of jurisdiction of Congress a report con-
 15 taining the final recommendations of such Sec-
 16 retaries as to—

17 “(i) whether expenditures for targeted
 18 medicare-eligible veterans under the dem-
 19 onstration project exceed the expenditures
 20 that would have been incurred under the
 21 medicare program under this title with re-
 22 gard to such veterans had this section not
 23 been enacted;

24 “(ii) whether the demonstration
 25 project could be expanded or extended

1 without increasing the cost to the medicare
2 program under this title or to the Federal
3 Government;

4 “(iii) whether to extend the duration
5 of the demonstration project;

6 “(iv) whether to increase the number
7 of demonstration sites operating under
8 such a model;

9 “(v) whether to increase the maximum
10 amount of reimbursement under the dem-
11 onstration project in any year; and

12 “(vi) whether the terms and condi-
13 tions of the demonstration project should
14 be altered if the project is extended or ex-
15 panded.

16 “(B) FEE-FOR-SERVICE MODEL.—With re-
17 spect to the demonstration project that is oper-
18 ating under a fee-for-service model, not later
19 than 3 months after the date of the submission
20 of the final report by the Comptroller General
21 of the United States under paragraph
22 (1)(C)(ii)(III), the administering Secretaries
23 shall submit to the committees of jurisdiction of
24 Congress a report described in subparagraph
25 (A) with respect to such model.”.

1 **SEC. 3. EXTENSION AND EXPANSION OF MEDICARE SUB-**
 2 **VENTION DEMONSTRATION PROJECT FOR**
 3 **MILITARY RETIREES.**

4 (a) ONE-YEAR EXTENSION OF PROJECT.—Section
 5 1896 of the Social Security Act (42 U.S.C. 1395ggg) is
 6 amended—

7 (1) in subsection (b)(4), by striking “3-year”
 8 and inserting “4-year”;

9 (2) in subsection (i)(4)—

10 (A) in subparagraph (B), by striking
 11 “and” at the end;

12 (B) in subparagraph (C), by striking the
 13 period at the end and inserting “; and”; and

14 (C) by adding at the end the following:

15 “(D) \$65,000,000 for calendar year
 16 2001.”; and

17 (3) in subsection (k)(1), in the matter pre-
 18 ceding subparagraph (A), by striking “3½ years”
 19 and inserting “4½ years”.

20 (b) PERMITTING PAYMENT ON A FEE-FOR-SERVICE
 21 BASIS.—

22 (1) IN GENERAL.—Section 1896 of the Social
 23 Security Act (42 U.S.C. 1395ggg) (as amended by
 24 subsection (a)) is amended—

25 (A) by redesignating subsection (k) as sub-
 26 section (l); and

1 (B) by inserting after subsection (j) the
2 following:

3 “(k) REIMBURSEMENT ON FEE-FOR-SERVICE BASIS
4 FOR SERVICES PROVIDED TO UNENROLLED INDIVID-
5 UALS.—

6 “(1) IN GENERAL.—In the case of medicare-eli-
7 gible military retirees or dependents who are not en-
8 rolled in the demonstration project under this sec-
9 tion, the Secretary, if the administering Secretaries
10 determine it to be appropriate, may reimburse the
11 Secretary of Defense for medicare health care serv-
12 ices provided to such retirees or dependents at a
13 military treatment facility under the demonstration
14 project. Such reimbursement shall only be made for
15 services provided at demonstration project sites that
16 receive reimbursement under subsection (i)(1)(A).

17 “(2) AGREEMENT.—If the administering Secre-
18 taries determine that reimbursement on a fee-for-
19 service basis pursuant to paragraph (1) is appro-
20 priate, at least 60 days prior to providing such reim-
21 bursement, the administering Secretaries shall enter
22 into an agreement described in subsection (b) re-
23 garding the fee-for-service model and shall submit a
24 copy of the agreement to the committees of jurisdic-
25 tion under this title.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) SITES.—Section 1896(b)(2) of the So-
 3 cial Security Act (42 U.S.C. 1395ggg(b)(2)) is
 4 amended by adding at the end the following: “If
 5 feasible, reimbursement shall be made using the
 6 fee-for-service model pursuant to subsection (k)
 7 at at least 1 of the demonstration project sites
 8 receiving reimbursement under subsection
 9 (i)(1)(A).”.

10 (B) MEDICARE REQUIREMENTS.—Section
 11 1896(d) of the Social Security Act (42 U.S.C.
 12 1395ggg(d)) is amended—

13 (i) in paragraph (1)(A)—

14 (I) by inserting “(insofar as it
 15 provides for the enrollment of individ-
 16 uals and payment on the basis de-
 17 scribed in subsection (i)(1)(A))” be-
 18 fore “shall meet”; and

19 (II) by inserting “and the project
 20 (insofar as it provides for payment for
 21 medicare health care services provided
 22 at a military treatment facility on the
 23 basis described in subsection
 24 (i)(1)(B)) shall meet all requirements
 25 that are applicable to facilities and

1 health care providers that provide
 2 such services under this title” after
 3 “medicare payments”; and

4 (ii) in paragraph (2), by inserting “,
 5 insofar as it provides for the enrollment of
 6 individuals and payment on the basis de-
 7 scribed in subsection (i)(1)(A),” before
 8 “shall comply”.

9 (C) TRICARE.—Section 1896(g)(1) of the
 10 Social Security Act (42 U.S.C. 1395ggg(g)(1))
 11 is amended by inserting “insofar as it provides
 12 for the enrollment of individuals and payment
 13 on the basis described in subsection (i)(1)(A),”
 14 before “the Secretary of Defense”.

15 (D) PAYMENT AMOUNTS.—Section
 16 1896(i)(1) of the Social Security Act (42
 17 U.S.C. 1395ggg(i)(1)) is amended to read as
 18 follows:

19 “(1) IN GENERAL.—Subject to the succeeding
 20 provisions of this subsection, the Secretary shall re-
 21 imburse the Secretary of Defense for services pro-
 22 vided under the demonstration project at the fol-
 23 lowing rates:

24 “(A) MANAGED CARE.—In the case of
 25 services provided under the demonstration

1 project to a medicare-eligible military retiree or
 2 dependent enrolled in a managed care plan of-
 3 fered under such project, at a rate equal to 95
 4 percent of the amount paid to a
 5 Medicare+Choice organization under part C of
 6 this title with respect to such an enrollee.

7 “(B) FEE-FOR-SERVICE MODEL.—In the
 8 case of a medicare health care service that is
 9 provided to a medicare-eligible military retiree
 10 or dependent at a military treatment facility
 11 pursuant to subsection (k), at a rate equal to
 12 95 percent of the amounts that otherwise would
 13 be payable under this title on a noncapitated
 14 basis for such service if the military treatment
 15 facility was not part of this demonstration
 16 project, was participating in the medicare pro-
 17 gram, and imposed charges for such service.

18 “(C) OTHER CASES.—In cases in which a
 19 payment amount may not otherwise be readily
 20 computed under subparagraphs (A) or (B), the
 21 Secretary shall establish rules for computing
 22 equivalent or comparable payment amounts.”.

23 (E) EVALUATION AND REPORTS.—Section
 24 1896(l)(1) of the Social Security Act (42
 25 U.S.C. 1395ggg(l)(1)) (as redesignated by

1 paragraph (1)(A)) is amended by inserting
 2 “(with respect to the managed care portion of
 3 the project and, if applicable, the fee-for-service
 4 portion of the project)” after “evaluation of the
 5 demonstration project”.

6 (3) EFFECTIVE DATE.—The amendments made
 7 by this subsection shall take effect on the date of en-
 8 actment of this Act, and shall apply to items and
 9 services furnished on or after January 1, 2000.

10 **SEC. 4. REDUCTION IN PAYMENTS FOR ENROLLEE BAD**
 11 **DEBT.**

12 (a) IN GENERAL.—Section 1861(v)(1)(T)(iii) of the
 13 Social Security Act (42 U.S.C. 1395x(v)(1)(T)(iii)) is
 14 amended by striking “45 percent” and inserting “51 per-
 15 cent”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 subsection (a) shall apply to cost reporting periods begin-
 18 ning during a fiscal year beginning after September 30,
 19 1999.