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Fact Sheet for Congressional  
Committees

July 1994

# HEALTH SECURITY ACT

## Analysis of Veterans' Health Care Provisions



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United States  
General Accounting Office  
Washington, D.C. 20548

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Health, Education and Human Services Division

B-257871

July 15, 1994

The Honorable John D. Rockefeller IV  
Chairman  
The Honorable Frank H. Murkowski  
Ranking Minority Member  
Committee on Veterans' Affairs  
United States Senate

The Honorable G.V. (Sonny) Montgomery  
Chairman  
The Honorable Bob Stump  
Ranking Minority Member  
Committee on Veterans' Affairs  
House of Representatives

Reform of the nation's health care system to reduce the number of Americans who lack coverage of basic acute health care services could significantly reduce demand for VA acute health care services. We first reported in June 1992 that, if changes were not made in the VA health care system as part of health reform, VA hospitals could lose about 50 percent of their acute hospital workload and 44 percent of their outpatient workload.<sup>1</sup>

The Veterans' Affairs Committees will be considering legislation to fundamentally reform the Department of Veterans Affairs (VA) health care system and veterans' health benefits. We prepared this fact sheet to help the Committees in their deliberations on this important legislation. In summary, it contains the following:

-- Our section-by-section analysis of the veterans' health care provisions of the administration's Health Security Act (title VIII, subtitle B of H.R. 3600/S. 1757), including the amendments approved by the Subcommittee on Hospitals and Health Care, House Committee on Veterans' Affairs on May 11, 1994. (See section 1.)

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<sup>1</sup>VA Health Care: Alternative Health Insurance Reduces Demand for VA Care (GAO/HRD-92-79, June 30, 1992).

of VA's role under health reform. Summaries for selected products are included. (See section 2.)

### BACKGROUND

Our December 1992 Transition Series report, Veterans Affairs Issues, identified several options for preserving veterans' health care benefits under a reformed health care system. These options include

- maintaining a smaller direct delivery system strictly for veterans but focusing on those services, such as treatment of spinal cord injuries and service-connected disabilities, that may not be adequately covered under a reformed national health care system;
- maintaining the current direct delivery system but opening the system to other federal beneficiaries to maintain work loads;
- converting some existing facilities to other uses, such as long-term psychiatric care, nursing home care, housing for homeless veterans, or AIDS treatment facilities;
- merging the VA system with one or more of the other federal health care delivery systems, such as the Department of Defense health care system; or
- eliminating the separate VA health care system and meeting the nation's commitment to veterans by supplementing the coverage available under a national health care reform initiative.

Since then, many legislative proposals have been introduced in both the House and Senate to reform the nation's health care system. Only one, however, the administration's Health Security Act contains specific proposals for restructuring the veterans' health care system.

### HEALTH SECURITY ACT WOULD AUTHORIZE VA TO ESTABLISH MANAGED CARE PLANS

The proposed Health Security Act would make fundamental changes both in how VA operates and in the benefits to which veterans using VA are entitled. In this regard, the act would (1) transform VA facilities into a series of managed care plans to compete with private-sector plans and (2) expand entitlement to free comprehensive health care services for veterans choosing to enroll in a VA health plan. In addition, the act would provide the following:

- VA health plans could impose no cost sharing of any kind, including premiums, copayments, deductibles, and coinsurance for "core group" veterans (that is, veterans with service-connected disabilities or low incomes, former prisoners of war, and veterans of World War I or the Mexican Border Period) who enroll in VA health plans. (See pp. 24-26.)
- VA services not covered under the comprehensive benefit package would continue to be offered to all veterans under existing eligibility and entitlement provisions. In most cases, the provision of such services would be subject to the availability of resources and facilities. (See p. 14.)
- VA would be given the authority to provide services to the dependents of veterans. (See p. 12.)
- VA would be authorized to establish supplemental benefits and cost-sharing policies. (See p. 17.)
- VA health care facilities would be deemed Medicare providers and VA health plans deemed Medicare health maintenance organizations (HMOs). (See p. 29.)
- VA health plans would be allowed to contract for services without regard to laws requiring competitive procedures. (See p. 44.)
- Requirements that the VA notify the Congress before administrative reorganizations would be eliminated. (See p. 45.)
- VA would be authorized to establish its own personnel system tailored to individual health plan needs and thus would be exempt from most federal personnel requirements. (See p. 46.)
- VA would be authorized to market its health plans but would be restricted to use of nonappropriated funds for marketing activities. (See p. 47.)

The Health Security Act also contains several new financing mechanisms to help offset the costs of VA health plans:

- VA would be authorized to recover from Medicare for services provided to higher income nonservice-connected Medicare-eligible veterans. VA would be allowed to retain funds recovered from Medicare. (See p. 29.)

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- VA would be authorized to retain premiums (both the employer and employee shares), copayments, and deductibles for veterans enrolling in VA health plans. (See p. 31.)
- Revenues received by VA health plans, including premiums, copayments and coinsurance, deductibles, and amounts received as reimbursements from other health plans for services provided to its enrollees, would be deposited in a revolving fund. The funds would be available without fiscal year limitations and could be distributed among VA health plans. (See p. 31.)
- A sum of \$3.3 billion would be appropriated to a VA Health Care Transition Fund over a 3-year period to cover construction of additional outpatient clinics and other start-up costs for the health plans. (See p. 48.)

SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE APPROVES AMENDMENTS TO THE HEALTH SECURITY ACT

On May 10, 1994, the Subcommittee on Hospitals and Health Care approved amendments to the Health Security Act offered by Chairman Rowland and Congressmen Smith (N.J.), Kennedy (Mass.), and Gutierrez (Ill.). Major changes approved by the Subcommittee include the following:

- VA would be required to maintain the capacity to provide for the specialized treatment and rehabilitative needs of disabled veterans. VA would be required to ensure that its overall capacity to provide such services not be reduced below capacity when the Health Security Act is enacted. (See p. 15.)
- VA health plans would not be allowed to sell a supplemental policy to a veteran that provides coverage for services that VA is required to provide to that veteran. (See p. 18.)
- VA would not be allowed to impose or collect a cost share from a service-connected veteran enrolled in a non-VA health plan for specialized treatment provided by a VA facility. (See p. 22.)
- VA health plans would not be allowed to provide or pay for abortions except when the danger of death to the mother exists or the pregnancy is the result of a forcible rape or incest. (See p. 23.)

- The prohibition on imposing cost sharing for core group veterans enrolling in VA health plans would be limited to services covered under the comprehensive benefit package. (See p. 25.)
- VA health plans would be required to set their premiums and other cost sharing on the basis of rules established by the health alliances under which they operate. (See p. 27.)
- Provisions would be established to provide guaranteed funding of VA health plans. The Secretary of the Treasury would be required to make quarterly deposits into the revolving fund from amounts not otherwise appropriated on the basis of amounts certified by VA. (See p. 34.)
- VA's exemption from contracting requirements would be broadened. Health plans would be exempt from virtually all federal contracting laws and regulations in obtaining a health care resource. (See pp. 44 and 46.)
- VA health plans would be allowed to use both appropriated and nonappropriated funds for marketing activities. (See p. 47.)
- The initial appropriation authorization for the Health Care Transition Fund would be increased from \$3.3 billion to \$4.05 billion, and the funds would be made available without fiscal year limitation. (See p. 48.)
- A new entitlement to nursing home care would be created for veterans with service-connected disabilities rated at 50 percent or more and veterans who require nursing home care for a service-connected disability. (See p. 52.)
- Core group veterans enrolling in VA health plans would be entitled to any outpatient services offered by VA that are not in the comprehensive benefit package without restrictions or cost sharing. (See p. 52.)
- Veterans enrolling in non-VA health plans and higher income nonservice-connected veterans enrolled in VA health plans could obtain outpatient services not covered under the comprehensive benefit package or not fully covered without regard to whether such service would obviate the need for hospital care or whether the service is reasonably necessary in preparation for hospital admission. (See p. 53.)

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under the comprehensive benefit package or not fully covered without regard to whether such service would obviate the need for hospital care or whether the service is reasonably necessary in preparation for hospital admission. (See p. 53.)

-- Veterans exposed to toxic substances or ionizing radiation would be authorized free care for conditions possibly related to such exposures, consistent with current law. (See p. 55.)

-- Notwithstanding any other provisions of the Health Security Act, the provisions relating to free comprehensive care to core group veterans would take effect on October 1, 1995. (See p. 61.)

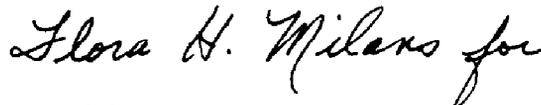
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We did not obtain formal comments on this fact sheet; however, we did discuss the information presented in this fact sheet with responsible agency officials. We considered their comments.

We are providing copies of this fact sheet to each Member of the House and Senate Veterans' Affairs Committees, to the Chairmen and Ranking Minority Members of other Committees having jurisdiction over the Health Security Act, the Secretary of Veterans Affairs, and other interested parties. Copies will be available to others upon request.

This report was prepared under the direction of James R. Linz, Assistant Director, Federal Health Care Delivery Issues. Please call Mr. Linz or me at (202) 512-7101 if you or your staff have any questions. Susan Poling, Assistant General Counsel, also contributed to this report and can be reached at (202) 512-5881.

Sincerely yours,



David P. Baine  
Director, Federal Health  
Care Delivery Issues

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## Abbreviations

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
	Services
CHAMPVA	Civilian Health and Medical Program of the Department of Veterans Affairs
HMO	Health Maintenance Organization
VA	Department of Veterans Affairs

SECTION 1  
ANALYSIS OF THE VETERANS HEALTH CARE PROVISIONS  
OF THE HEALTH SECURITY ACT AS AMENDED

This table contains the original language of the Health Security Act (H.R. 3600) as introduced and the amendments to the act as approved by the Subcommittee on Hospitals and Health Care, House Committee on Veterans' Affairs. Language from the original bill deleted during markup on May 11, 1994, is enclosed in brackets. Language added during markup is in boldface type. Additional GAO analyses are also in boldface type.

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
Title VIII: Subtitle B-- Department of Veterans Affairs  8101. Benefits and Eligibility Through Department of Veterans Affairs Medical System  (a) DVA as a Participant in Health Care Reform.  (1) In General.	Title 38, United States Code, is amended by inserting after chapter 17 the following new chapter:  "Chapter 18--Eligibility and Benefits Under Health Security Act Subchapter [1]I--General 1801. Definitions Subchapter [2]II--Enrollment 1811. Enrollment: veterans. 1812. Enrollment: CHAMPVA eligibles. 1813. Enrollment: family members. Subchapter [3]III--Benefits 1821. Benefits for VA enrollees. 1822. Chapter 17 benefits. 1823. Supplemental benefits packages and policies. 1824. Limitation regarding veterans enrolled with health plans outside Department. Subchapter [4]IV--Financial Matters 1831. Premiums, copayments, etc. 1832. Medicare coverage and reimbursement. 1833. Recovery of cost of certain care and services. 1834. Health Plan Fund[s]. 1835. Guaranteed funding of Government costs	Establishes a new chapter 18 under title 38 U.S.C. that outlines VA's role as a participant in health reform.  Adds a new section 1835 to title 38 U.S.C.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
Subchapter 1--General  1801. Definitions	For purposes of this chapter:  (1) The term "health plan" means an entity that has been certified under the Health Security Act as a health plan.  (2) The term "VA health plan" means a health plan that is operated by the Secretary under section 7341 of this title.  (3) The term "VA enrollee" means an individual enrolled under the Health Security Act and subchapter II of this chapter in a VA health plan.  (4) The term "comprehensive benefit package" means the package of benefits required to be provided by a health plan under the Health Security Act.	Provides definitions of "health plan," "VA health plan," and "VA enrollee." Because, under the proposed 38 U.S.C. 1832(b), a VA health plan would be considered a Medicare health maintenance organization (HMO), the term "VA enrollee" refers to individuals enrolled in a VA health plan functioning as either a regional alliance health plan or a Medicare HMO.  (1) Revises the definition of "VA enrollee" to make it clear that it applies to an individual enrolled under subchapter II of the proposed chapter 18, title 38 U.S.C. The proposed section 1811 under subchapter II is amended to specifically authorize Medicare-eligible veterans to enroll in VA health plans.  (2) Adds a definition of "comprehensive benefit package." "Comprehensive benefit package" means the package of benefits a health plan is required to provide under the Health Security Act.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
<p>Subchapter II- -Enrollment</p> <p>1811. Enrollment: Veterans</p>	<p>Each veteran who is an eligible individual within the meaning of section 1001 of the Health Security Act (including a veteran who is a medicare-eligible individual as defined in section 1902 of that Act) may enroll with a VA health plan. A veteran who wants to receive the comprehensive benefit package through the Department shall enroll with a VA health plan.</p>	<p>This section states that veterans who are "eligible" individuals under section 1001 of the Health Security Act may enroll in a VA health plan. Section 1001 provides an entitlement to the comprehensive benefit package through enrollment in an applicable health plan.</p> <p>Section 1001(d) states that Medicare beneficiaries will generally not be entitled to the comprehensive benefit package through enrollment in regional alliance health plans. The exceptions are those states where the state has chosen to integrate Medicare beneficiaries into the regional alliance plans (section 4001) and those Medicare beneficiaries who are still employed or have a spouse still employed (section 1012(a)). These restrictions on enrollment in regional alliance health plans would, on the surface, appear to prevent Medicare-eligible veterans, other than those described above, from enrolling in a VA health plan.</p> <p>Other Health Security Act provisions, however, that would deem VA health plans Medicare HMOs (section 1832 of the proposed new chapter 18, title 38 U.S.C.) would allow Medicare-eligible veterans to enroll in VA health plans regardless of whether states chose to bring Medicare into the alliances. In addition, section 1004(b) of the Health Security Act designates the VA health plan as the applicable health plan for veterans who choose to enroll in a VA health plan.</p> <p>Revised to clearly specify that Medicare-eligible veterans are eligible to enroll in VA health plans.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
<p>1812. Enrollment: CHAMPVA- Eligibles</p>	<p>(a) Eligibility. An individual described in subsection (b) [who is eligible for benefits under section 1713 of this title and] who is eligible to enroll in a health plan pursuant to section 1001 of the Health Security Act may enroll under that Act with a VA health plan [in the same manner as a veteran].</p> <p>(b) Applicability. This section applies to the following individuals who are not otherwise eligible for medical care under chapter 55 of title 10 (CHAMPUS):</p> <p>(1) The surviving spouse or child of a veteran who (A) died as a result of a service-connected disability, or (B) at the time of death had a total disability permanent in nature, resulting from a service-connected disability.</p> <p>(2) The surviving spouse or child of a person who died in the active military, naval, or air service in the line of duty and not due to such person's own misconduct.</p> <p>(c) Definition of Child. For purposes of this section, the term "child" has the meaning given the term in section 1011 of the Health Security Act.</p>	<p>Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA)-eligible individuals can enroll in a VA health plan in the same manner as a veteran.</p> <p>Adds clarifying language to limit enrollment in VA health plans to those CHAMPVA eligibles not otherwise eligible for CHAMPUS. Specifically, it applies to</p> <p>--the surviving spouse or child of a veteran who died as a result of a service-connected disability or was permanently and totally disabled at the time of death, resulting from a service-connected disability and</p> <p>--the surviving spouse or child of a person who died in the line of duty.</p> <p>"Child" has the meaning given the term under the Health Security Act.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1813. Enrollment: Family Members	(a) Eligibility. The Secretary shall [may] authorize a VA health plan to enroll members of the family of an enrollee under section 1811 or 1812 of this title.[, subject to payment of premiums, deductibles, copayments, and coinsurance as required under the Health Security Act.]The enrollee shall have the option of enrolling in the VA health plan as an individual or with family members. If the enrollee chooses to enroll in the VA health plan with family members, all such family members must be so enrolled.	<p>The Secretary would be given the discretion to enroll family members of veterans and CHAMPVA beneficiaries in VA health plans. Family members' enrollment would be subject to payment of premiums, deductibles, copayments, and coinsurance as required under the Health Security Act. Under section 1011(b) of the Health Security Act, the term "family" includes the veteran's spouse if the spouse is an eligible individual and the veteran's (and his/her spouse's) children if they are eligible individuals.</p> <p>Changes from discretionary to mandatory the Secretary's authorization of dependent coverage by VA health plans. Provides that if a veteran decides to enroll in a VA health plan with family members, then all family members must enroll.</p> <p>Moves reference to cost-sharing requirements in subsection (a) to new subsection (b) (see below).</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
<p>1813. (continued)</p>	<p>(b) Required Payments. Any family member enrolled in a VA health plan shall (except as provided in section 1831(c)(2)(B) of this title) be subject to payment of premiums, deductibles, copayments, and coinsurance as required under the Health Security Act.</p> <p>(c) Enrollment Eligibility To Survive Death of Veteran. An individual who is enrolled with a VA health plan pursuant to subsection (a) as a member of the family of a veteran enrolled under section 1811 of this title shall not lose eligibility to be enrolled with VA health plans by reason of the death of that veteran.</p> <p>(d) Members of Family. [(b)] For purposes of this section, the members of the family of an enrollee are [subsection (a), an enrollee's family is] those individuals (other than the enrollee) included within the term "family" as defined in section 1011(b) of the Health Security Act.</p>	<p>Family members (other than a spouse or child of a veteran who has a total disability, permanent in nature, resulting from a service-connected disability) must pay premiums, deductibles, copayments, and coinsurance as required under the Health Security Act.</p> <p>It is not clear how premium payments would be determined for family members of core group veterans opting to enroll in VA health plans with family members. In other words, one premium would be established for the family enrollment, but the "core" group veteran could not be charged a premium, while family members could.</p> <p>Provides that enrollment eligibility survives the death of the veteran for those family members enrolled in a VA health plan. It appears that survivors of veterans enrolled in non-VA health plans and those survivors who enroll in non-VA health plans after the death of the "sponsoring" veteran would no longer be eligible to enroll in a VA health plan, unless eligible under section 1812 under CHAMPVA.</p>
<p>Subchapter III--Benefits</p> <p>1821. Benefits for VA Enrollees</p>	<p>The Secretary shall ensure that each VA health plan provides to each individual enrolled with it the items and services in the comprehensive benefit package under the Health Security Act.</p>	<p>This section provides that a VA health plan must provide to each individual enrolled in the plan the same comprehensive benefit package that other competing health plans must provide.</p> <p>The Health Security Act requirements for the comprehensive benefit package would extend to veterans enrolling in a VA health plan functioning as a Medicare HMO.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1822. Chapter 17 Benefits	<p>(a) Care and Services Not Included In Comprehensive Benefit Package. In the case of care and services that may be provided under chapter 17 of this title that are not included in the comprehensive benefit package, the Secretary shall provide to any veteran (whether or not enrolled with the health plan) the care and services authorized under this chapter in accordance with the terms and conditions applicable to that veteran and that care under that chapter. [The Secretary shall provide to veterans the care and services that are authorized to be provided under chapter 17 of this title in accordance with the terms and conditions applicable to that veteran and that care under such chapter, notwithstanding that such care and services are not included in the comprehensive benefit package.]</p> <p>(b) Veterans Who Are Not Eligible to Enroll Under Health Security Act. In the case of a veteran who is not an eligible individual within the meaning of section 1001 of the Health Security Act, the Secretary shall provide to the veteran the care and services that may be provided under chapter 17 of this title through any facility of the department, whether or not the facility is operating as or within a VA health plan.</p>	<p>Chapter 17 benefits not covered under the comprehensive benefit package would continue to be available to veterans enrolled in either a VA or other health plan under the same terms and conditions that currently apply to that veteran under chapter 17 of title 38 of the U.S.C. Among the terms and conditions that apply under chapter 17 are requirements that (1) nonservice-connected veterans be admitted to a VA hospital before they can be admitted to community nursing homes under VA sponsorship and (2) dental treatment must have begun while they were hospitalized in a VA hospital for most veterans to be eligible to receive outpatient dental care. While these terms and conditions would apply both to veterans enrolling in VA and non-VA health plans, they would appear to have greater effect on veterans enrolling in non-VA plans because they would be unable to meet the requirements relating to treatment in VA hospitals unless their health plans contracted with VA health plans to allow hospitalization in a VA hospital.</p> <p>Adds a new provision covering veterans living overseas who are not eligible to enroll under the Health Security Act. They will be provided the care and services that may be provided under chapter 17 of 38 U.S.C. through any VA facility whether or not the facility is operating as or within a VA health plan.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1822. Chapter 17 Benefits (continued)	<p>(c) Preservation of Specialized DVA Treatment Capacities. In carrying out subsection (a), the Secretary shall ensure that the Department maintains the capacity to provide for the specialized treatment and rehabilitative needs of disabled veterans (including veterans with spinal cord dysfunction, blindness, and mental illness) within distinct programs or facilities of the Department that are dedicated to the specialized needs of those veterans in a manner that affords those veterans reasonable access to care and services for those specialized needs. The Secretary shall ensure that overall capacity of the Department to provide such specialized services is not reduced below the capacity of the Department, nationwide, to provide those services, as of the date of the enactment of this chapter. Nothing in this subsection precludes the Secretary from expanding the number or type of facilities or programs that provide treatment and rehabilitation services for the specialized needs of such veterans, including provision of specialized services on an outpatient basis.</p>	<p>Requires that the Secretary of Veterans Affairs maintain the capacity to provide for the specialized treatment and rehabilitative needs of disabled veterans (including spinal cord injury, blind rehabilitation, and mental illness) within distinct VA programs or facilities.</p> <p>The Secretary of Veterans Affairs shall ensure that VA's overall capacity to provide such specialized services is not reduced below VA's capacity to provide the services at the time of enactment. The section also makes it clear that it is not intended to prevent VA from expanding the number or types of facilities providing specialized medical treatments.</p> <p>Maintaining current capacity to provide specialized care could, over time, result in a degradation in the ability to meet the special care needs of veterans, as those needs change, particularly with respect to long-term care. In addition, the eligibility expansions added under section 8103 of the Health Security Act could increase demand for chapter 17 benefits.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1822. Chapter 17 Benefits (continued)	(d) Annual Report. Not later than March 1 of each year, the Secretary shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report describing the actions the Secretary has taken to carry out subsection (c) during the preceding year. Each such report shall include a statement of the number of veterans to whom the Department provided specialized services that are covered by the report and the expense of providing those services, and a description of the alternatives available in the private sector for the provision of those services to veterans.	Adds a new requirement that the Secretary of Veterans Affairs submit an annual report to the House and Senate Veterans' Affairs Committees describing the actions taken in carrying out the provisions relating to VA's specialized treatment and rehabilitative programs. The report must include the number of veterans provided specialized services, the alternatives available in the private sector for provision of the specialized services, and the cost of providing those services.

Section	Provision	GAO Analysis
<b>Proposed chapter 18 of title 38 U.S.C.</b>		
<p>1823. Supplemental Benefits Packages and Policies</p>	<p>A VA health plan may offer supplemental health benefits policies and supplemental cost sharing policies consistent [for health care services not provided under chapter 17 of this title and cost sharing policies consistent] with the requirements of part 2 of subtitle E of title I of the Health Security Act.</p>	<p>The section would authorize VA to market two types of supplemental insurance: (1) supplemental health benefits policies and (2) cost-sharing policies. Generally, section 1421(b)(1) of the Health Security Act defines supplemental benefits policies to be health benefit plans or health insurance policies that provide (1) coverage for services and items not included in the comprehensive benefit package and/or (2) coverage for items and services included in such package but not covered because of a limitation in amount, duration, or scope. Section 1421(b)(2) of the Health Security Act defines cost-sharing policies to be health insurance policies or health benefits plans that provide coverage for deductibles, coinsurance, and copayments imposed as part of the comprehensive benefit package, whether imposed under a higher cost-sharing plan or with respect to nonnetwork providers.</p> <p>It is not clear what the phrase "not provided under chapter 17" means. If "not provided under chapter 17" refers to services authorized by but not provided to a veteran under chapter 17 because of restrictions on resources or eligibility, then the Secretary of Veterans Affairs would, at his or her discretion, be able to sell supplemental policies covering such services as nursing home care. The Secretary would appear to also have wide discretion to discontinue sale of such policies.</p> <p>Amended to delete the reference to "not provided under chapter 17."</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1823 (continued)	<p>However, a VA health plan may not offer a supplemental health benefits package to a veteran that provides coverage for services that the Department is required to provide to that veteran under chapter 17 of this title.</p>	<p>It is also unclear which individuals could purchase VA supplemental health benefits policies. Section 1422(b)(1) generally provides that an entity offering a supplemental health benefits policy must accept for enrollment every individual who seeks such enrollment, subject to capacity and financial limits. Thus, it appears the supplemental policies would have to be made available to veterans and their dependents and perhaps to others in the health alliance. VA officials agreed that the language of section 1422(b)(1) is ambiguous but pointed out that other provisions of the Health Security Act would prevent most nonveterans from enrolling in VA health plans. VA could limit the availability of supplemental benefits policies based on its capacity to provide the covered services, but would be required to offer the policies on a first-come, first-served basis as long as capacity holds out.</p> <p>Amended to provide that VA health plans may not offer a supplemental benefit package to a veteran that provides coverage for services that VA is required to provide to that veteran under chapter 17 of 38 U.S.C. Many of the services that might be offered through supplemental benefits policies, including nursing home care for service-connected veterans, would be made entitlements, funded entirely through appropriations, by other new provisions (section 8103). Core group veterans' entitlement to such services would be subject to the availability of space and resources.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1823 (continued)		<p>If space or resources are limited, veterans purchasing supplemental policies would have the highest priority for care. Availability of nursing home care could be further restricted for low-income nonservice-connected veterans, former prisoners of war, and World War I veterans through the sale of supplemental benefits policies. This is because provision of nursing home care would continue to be optional. In effect, such veterans could obtain nursing home care only to the extent that space and resources remain after the needs of higher income veterans purchasing supplemental policies are met.</p> <p>The effect of the proposed new section 1831(a) of title 38 U.S.C. on sale of supplemental policies is unclear. It might prevent VA from charging premiums or other cost sharing for supplemental policies, at least for those policies covering items and services covered under chapter 17 of 38 U.S.C., purchased by veterans described under 38 U.S.C. 1831(b) who enroll in the VA health plan. VA officials told us that, in their opinion, the proposed section 1831(a) of title 38 U.S.C. would apply only to the comprehensive benefit package. Service-connected and low-income veterans would, in their opinion, be required to pay the same premiums for supplemental policies that apply to other veterans.</p> <p>Section 1831(a) was amended to indicate that it applies only to services covered under the comprehensive benefit package. Service-connected and low-income veterans enrolling in VA health plans, however, would, under the new section 8103(b) of the Health Security Act, be provided any outpatient service, whether or not it is included in the comprehensive benefit package, free of charge based on their eligibility for free care under chapter 17 of 38 U.S.C.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1823 (continued)		<p>In addition, it is unclear whether VA must recover the full cost of such policies from those required to pay a premium.</p> <p>Cost-sharing policies would appear to be available only to those veterans and other VA health plan enrollees not entitled to free care. Under section 1423 of the Health Security Act, cost-sharing policies must be offered to all individuals enrolled in the plan. This means that CHAMPVA beneficiaries and veterans' dependents would be eligible to purchase cost-sharing policies. The policies would be required to have loss ratios not lower than 90 percent.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
<p>1824. Limitation Regarding Veterans Enrolled With Health Plans Outside Department</p>	<p>(a) Reimbursement Required. A veteran who is residing in a regional alliance area in which the Department operates a health plan and who is enrolled in a health plan that is not operated by the Department may be provided the items and services in the comprehensive benefit package by a VA health plan operating in that regional alliance area only if the plan is reimbursed in accordance with the Health Security Act for [the actual and full] cost of the care provided.</p>	<p>A veteran enrolling in a non-VA health plan could obtain items and services covered under the comprehensive benefit package from a VA health plan only if his or her health plan reimbursed VA the full cost of the care provided. This section shifts responsibility for treatment of service-connected disabilities from the government to individual health plans to the extent that the treatments are covered under the comprehensive benefit package. In other words, service-connected veterans in non-VA health plans could use VA for treatment of their service-connected disabilities only if (1) their health plan agreed to reimburse VA for the costs of such care or (2) the needed services are covered under chapter 17, title 38 U.S.C. but not under the comprehensive benefit package.</p> <p>Amended to substitute the requirement that VA be reimbursed "in accordance with the Health Security Act" for the prior requirement that VA be reimbursed "the full and actual cost" of services included in the comprehensive benefit plan provided to veterans enrolled in non-VA health plans. This would enable health plans to reimburse VA at out-of-plan rates and require veterans to pay higher copayments and deductibles to obtain care from VA than they would pay for care provided by their health plan.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1824 (continued)	(b) Exception. The Secretary may not impose on or collect from a veteran described in subsection (a) a cost-share charge of any kind in the case of treatment for a service-connected disability requiring a specialized treatment capacity for which the Department has particular expertise.	<p>Amended to provide that a veteran who is treated for a service-connected disability requiring specialized treatment capacity for which the VA has a particular expertise be exempt from any cost-sharing obligations the veteran has under the veterans's non-VA health plan.</p> <p>This provision could unintentionally discourage VA health plans from providing out-of-plan treatment to service-connected veterans because the health plans would have to absorb the veterans' cost shares; they would be allowed to collect and retain veterans' cost shares for nonservice-connected care. VA officials believe VA health plans would always provide care to service-connected veterans even if they have to absorb the costs.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
<p>1825. Abortions Through VA Health Plans: Prohibition</p>	<p>(a) Prohibition--Notwithstanding the provisions of the comprehensive benefit package, a VA health plan may not provide abortions (either by the performance of an abortion in a Department facility or by payment for the performance of an abortion outside a Department facility) except in a case in which--</p> <p>(1) a woman suffers from a physical disorder, illness, or injury that would, as certified by a physician, place the woman in danger of death if the fetus were carried to term; or</p> <p>(2) the pregnancy is the result of a forcible rape or incest.</p> <p>(b) Construction of Abortion Exclusion--Subsection (a) shall not be construed to remove or diminish coverage of any reproductive health service, family planning service, or service for pregnant women otherwise provided for under this title, except abortions.</p>	<p>Amended to prohibit VA health plans from providing or paying for abortions except when the pregnancy (1) would threaten the life of the mother if carried to full term or (2) resulted from forcible rape or incest.</p> <p>If the comprehensive benefit package includes broader coverage of abortions than is authorized for VA health plans under this amendment, women veterans with service-connected disabilities or low incomes would need to choose between their VA health care benefits and a health plan offering broader coverage of abortions. To obtain the abortion coverage, women veterans with service-connected disabilities or low incomes would have to enroll in non-VA health plans, thus forgoing the free comprehensive health care benefits they would otherwise be entitled to by enrolling in a VA health plan.</p> <p>VA health plans could also be placed at a competitive disadvantage in enrolling veterans with spouses or dependents of child-bearing age if other health plans are required to offer broader coverage of abortions than the VA plans. If, on the other hand, the comprehensive benefit package does not require broader abortion coverage than that authorized for VA health plans, then VA health plans would not be placed at a competitive disadvantage.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1825. (continued)	(c) No Authority to Alter Abortion Exclusion-- Notwithstanding any provision of the Health Security Act, the National Health Board may not expand the comprehensive benefit package to include (for any health plan) any abortion that is excluded under subsection (a) with respect to a VA health plan.	Amended to prohibit the National Health Board from expanding the comprehensive benefit package to include, for any health plan, any abortion that is excluded with respect to a VA health plan. This provision would prevent the National Health Board from expanding coverage of abortions beyond what is specifically authorized under the comprehensive benefit package.
Subchapter IV- -Financial Matters  1831. Premiums, Copayments, etc.  (a) Exception of Certain Veterans	In the case of a veteran described in subsection (b) who is a VA enrollee, there may not be imposed or collected [the Secretary may not impose or collect] from the veteran a cost-share charge of any kind (whether a premium, copayment, deductible, coinsurance charge, or other charge) for items and services in the comprehensive benefit package that are provided to the veteran by the Secretary. The Secretary shall make such arrangements as necessary with health alliances in order to carry out this subsection.	This section would waive all premiums and other cost sharing for certain veterans. The provision applies equally to veterans enrolling in a VA health plan under a regional alliance and a veteran enrolling in a VA health plan functioning as a Medicare HMO. The Secretary of Veterans Affairs is to make arrangements with health alliances to carry out this provision.  The relationship between this section and section 1823 is unclear. Section 1831 applies to "VA enrollees" and would limit the provision of free care to veterans enrolling in a VA health plan but says nothing about whether it applies only to the comprehensive benefit package or to any supplemental benefits policies. In our opinion, this section could be interpreted to make any supplemental benefits policies offered under section 1823 free for those veterans enrolling in VA health plans who meet the criteria established under section 1831(b).

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C. (cont.)		
1831(a) (continued)		<p>VA officials, on the other hand, interpret section 1831 as applying only to the comprehensive benefit package and not to any supplemental benefits policies. We believe this is also a reasonable interpretation that could significantly limit the availability of chapter 17 benefits for those low-income and service-connected veterans unable or unwilling to pay the premiums to purchase supplemental policies. VA would have a contractual obligation to provide services to those higher income veterans purchasing supplemental policies, while those low-income and service-connected veterans without supplemental policies would be limited to use of whatever space and resources were available after VA meets its contractual obligations.</p> <p>Under either interpretation, veterans enrolling in non-VA health plans who subsequently enroll in a VA supplemental benefits policy offered by a VA health plan would not appear to be entitled to free supplemental benefits unless the term "VA enrollee" is interpreted broadly to mean a veteran who enrolls in a VA health plan for either comprehensive benefits or supplemental benefits.</p> <p>Amended to clarify that the restriction on imposing cost-sharing charges applies only to items and services provided under the comprehensive benefit package. This would clarify that supplemental benefits policies would not be free to core group veterans. It would also allow VA health plans to impose cost sharing for out-of-plan services provided to VA health plan enrollees.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1831(b) Veterans Exempt From Charges	<p>The veterans referred to in subsection (a) are the following:</p> <p>(1) Any veteran with a service-connected disability.</p> <p>(2) Any veteran whose discharge or release from the active military, naval or air service was for a disability incurred or aggravated in the line of duty.</p> <p>(3) Any veteran who is in receipt of, or who, but for a suspension pursuant to section [1511]1151 of this title (or both such a suspension and the receipt of retired pay), would be entitled to disability compensation, but only to the extent that such a veteran's continuing eligibility for such care is provided for in the judgment or settlement provided for in such section.</p> <p>(4) Any veteran who is a former prisoner of war.</p> <p>(5) Any veteran of the Mexican border period or World War I.</p> <p>(6) Any veteran who is unable to defray the expenses of necessary care as determined under section 1722(a) of this title.</p>	<p>This section lists the categories of veterans entitled to free comprehensive health benefits if they enroll in a VA health plan. It generally covers the same groups of veterans cited under 38 U.S.C. 1710, which establishes eligibility for VA hospital, nursing home, and domiciliary care, except that it excludes those veterans seeking care for conditions that may be related to exposure to toxic substances or ionizing radiation. Currently, the cited group is entitled to free VA hospital care to the extent that space and resources are available, but eligibility and entitlement to other services are more complex. (A new section 1831(c)(3) would be added to title 38 U.S.C. to exempt veterans receiving care for conditions that may be related to exposure to toxic substances or ionizing radiation from copayments, deductibles, and coinsurance.)</p> <p>Only those veterans with service-connected disabilities rated at 50 percent or higher (about 450,000 veterans) are currently entitled to free comprehensive health care benefits within available resources (not including nursing home care, which is optional for all veterans). The new section would essentially expand the number of veterans entitled to free comprehensive care, including 100 days a year of post-hospital extended care in rehabilitation or skilled nursing facilities, to about 9 million veterans.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1831(c) Other Enrollees	<p>(1) In the case of a VA enrollee who is not described in subsection (b), the Secretary shall (except as provided in paragraph (2)) charge premiums and [shall] establish copayments, deductibles, and coinsurance amounts.</p> <p>(2) The Secretary may not charge a premium in the case of</p> <p style="padding-left: 40px;">(A) an individual who is enrolled in a VA health plan by reason of eligibility under section 1812 of this title; or</p> <p style="padding-left: 40px;">(B) an individual who is enrolled in a VA health plan by reason of eligibility under section 1813 of this title and who is described in paragraph (1) of section 1713(a) of this title.</p> <p>(3) The Secretary may not charge a copayment, deductible, or other coinsurance amount in the case of care for any disease covered under section 1710(e)(1) of this title.</p>	<p>Those VA enrollees not described above would be charged premiums, copayments, deductibles, and coinsurance. VA would be required to establish the premium rate and the rates for deductibles and copayments based on rules established by the health alliance under which it is operating.</p> <p>This section would not appear to apply to Medicare-eligible veterans enrolling in the VA health plan, except in those states that bring Medicare under their health alliances.</p> <p>Amended to exempt from payment of premiums those VA health plan enrollees who are CHAMPVA eligible under section 1812 or eligible under paragraph (1) of 38 U.S.C. 1713(a) (a spouse or child of a veteran who has a total permanent disability resulting from a service-connected disability).</p> <p>Amended to exempt from copayments, deductibles, and coinsurance those veterans receiving care for any disease covered under section 1710(e)(1) of title 38 U.S.C.-- veterans exposed to toxic substances or ionizing radiation.</p>
(d) Establish- ment of Rates	The premium rate, and the rates for deductibles and copayments, for each VA health plan shall be established by that health plan based on rules established by the health alliance under which it is operating.	This section requires the Secretary of Veterans Affairs to set the premiums and copayments and deductibles for a VA health plan on the basis of rules established by the health alliance under which the health plan is operating.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1831[(d)]e Self-Employed Service- Connected Veterans	In the case of a veteran with a service-connected disability who is enrolled in a VA health plan and who has net earnings from self-employment, the Secretary shall, under regulations prescribed by the Secretary, provide for [a reduction in any] the waiver of any premium payment (or alliance credit repayment) owed by the veteran under section 6126 or 6111 of the Health Security Act by virtue of the veteran's net earnings from self-employment.	<p>This section requires the Secretary of Veterans Affairs to reduce employer premiums owed by a self-employed service-connected veteran, provided the veteran enrolls in a VA health plan. In other words, self-employed service-connected veterans would be required to pay all or a portion of their health insurance premiums if they enroll in a health plan other than one operated by VA. If, however, they enroll in a VA health plan, individual cost sharing and, to the extent determined by the Secretary, their employer premiums, will be reduced.</p> <p>Amended to (1) require the Secretary of Veterans Affairs to waive any premiums for self-employed service-connected veterans rather than allowing the Secretary the discretion to waive just a portion of the premium and (2) specify that the waiver is based on "net" earnings.</p>

Section	Provision	GAO Analysis
<b>Proposed chapter 18 of title 38 U.S.C.</b>		
1832 Medicare Coverage and Reimbursement. (a) Medicare Provider Status	For purposes of any program administered by the Secretary of Health and Human Services under title XVIII of the Social Security Act, a Department facility shall be deemed to be a Medicare provider.	This section deems VA facilities to be Medicare providers, essentially exempting them from Medicare requirements. In effect, this would enable VA facilities to provide the full range of Medicare benefits to Medicare-eligible veterans, regardless of their eligibility/entitlement under chapter 17, title 38 U.S.C.
(b) Medicare HMO Status	(1) A VA health plan shall be considered to be a Medicare HMO.  (2) For purposes of this section, the term "Medicare HMO" means an eligible organization under section 1876 of the Social Security Act.	This section would deem VA health plans to be Medicare HMOs, essentially exempting VA from the requirements under section 1876 of the Social Security Act that apply to other eligible organizations. Among the provisions that VA health plans would be exempt from are requirements related to (1) related-party transactions, (2) ownership and control arrangements, (3) financial solvency, (4) quality assurance, (5) operating experience, (6) enrollment, and (7) organization and management.
(c) Payments from HHS	In the case of care provided to a veteran other than a veteran described in section 1831(b) of this title who is eligible for benefits under the Medicare program under title XVIII of the Social Security Act, the Secretary of Health and Human Services shall reimburse a VA health plan or Department health care facility providing services as a Medicare provider or Medicare HMO in the same amounts and under the same terms and conditions as that Secretary reimburses other Medicare providers or Medicare HMOs, respectively. The Secretary of Health and Human Services shall include with each such reimbursement a Medicare explanation of benefits.	Would authorize VA to recover from Medicare the costs of services provided to certain Medicare-eligible veterans. Recoveries would be limited to services provided to those Medicare-eligible veterans not entitled to free care under section 1831 of the Health Security Act.  It is not clear what would happen in the case of a Medicare-eligible dependent. Medicare eligibility and enrollment is by individual, not family. Thus it is not clear whether the dependents of Medicare-eligible veterans would be able to enroll in a VA health plan functioning as an HMO except in states that have integrated Medicare into their alliances.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1832(d) Deductibles and Copayments	When the Secretary [of Veterans Affairs] provides care to a veteran for which the Secretary receives[d] reimbursement under this section, the Secretary shall require the veteran to pay to the Department any applicable deductible or copayment that is not covered by Medicare.	Would authorize VA to charge Medicare-eligible veterans, other than those entitled to free comprehensive benefits, the same copayments and deductibles they would be required to pay to other Medicare providers.
1833. Recovery of Cost of Certain Care and Services  (a) Recovery From Third Parties	In the case of an individual provided care or services through a VA health plan who has coverage under a supplemental health insurance policy pursuant to part 2 of subtitle E of title I of the Health Security Act or under any other provision of law, or who has coverage under a Medicare supplemental health insurance plan (as defined in the Health Security Act) or under any other provision of law, the Secretary has the right to recover or collect charges for care or services (as determined by the Secretary, but not including care or services for a service-connected disability) from the party providing that coverage to the extent that the individual or the provider of the care or services) would be eligible to receive payment for such care or services from such party if the care or services had not been furnished by a department or agency of the United States.	Authorizes VA to recover from supplemental insurance policies, such as Medicare supplemental (Medigap) policies and CHAMPUS supplemental benefits policies. VA would not be authorized to recover for care or services for a service-connected disability.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1833(b) Procedures	The provisions of subsections (b) through (f) of section 1729 of this title shall apply with respect to claims by the United States under subsection (a) in the same manner as they apply to claims under subsection (a) of that section.	Provides that the third-party recovery provisions of current law remain in effect.
1834. Health Plan Fund  (a) Establish- ment of Fund	There is hereby established in the Treasury a revolving fund to be known as the "Department of Veterans Affairs Health Plan Fund".	Would establish in the Treasury a revolving fund for VA health plans.
(b) Crediting of Amounts to Fund	There shall be credited to the revolving fund [A]any amount received by the Department by reason of the furnishing of health care by a VA health plan and any amount received by the Department by reason of [or] the enrollment of an individual with a VA health plan (including amounts received as premiums, premium discount payments, copayments or coinsurance, and deductibles, amounts received as third-party reimbursements, and amounts received as reimbursements from another health plan for care furnished to one of its enrollees) [shall be credited to the revolving fund].	Revenues received by VA health plans, whether related to the furnishing of care to non-VA health plan enrollees or the enrollment of individuals in the VA health plan, must be credited to the revolving fund. Amounts to be credited to the revolving fund include those received as premiums, premium discount payments, copayments or coinsurance, and deductibles, and those received as reimbursements from another health plan for care furnished to one of its enrollees. Recoveries from Medicare would also be credited to the revolving fund. Funds appropriated to pay the VA portion of health plan enrollees' premiums would not be credited to the revolving fund.  Amended language appears to make no substantive change.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1834(c) Crediting to Treasury	[Notwithstanding subsection (b), the Department may not retain amounts received for care furnished to a VA enrollee in a case in which the costs of such care have been covered by appropriations. Such amounts shall be deposited in the General Fund of the Treasury.] Any amounts deposited to the revolving fund that are attributable to amounts received by the Department as a premium by reason of the enrollment with a VA health plan of a veteran described in section 1831(b) of this title shall be covered into the General Fund of the Treasury.	Requires VA to return to the General Fund of the Treasury any funds recovered for care provided to veterans if the costs of such care were covered by appropriations.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1834(d) Availability of Funds	Amounts in the revolving fund are hereby made available for [the] all expenses, both direct and indirect, related to [of] the delivery by a VA health plan of the items and services in the comprehensive benefit package and any supplemental benefits package or policy offered by that health plan.	<p>Would make the amounts in the revolving fund available to VA health plans, without regard to the sources of the funds, for payments for items and services covered under the comprehensive benefit package and any supplemental benefits package or policy offered by the VA health plan.</p> <p>VA would be free to allocate funds to any VA health plan or to pay for comprehensive benefits and supplemental benefits, regardless of funding source.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
<p>1835. Guaranteed Funding of Government Costs</p> <p>(a) Required Deposits From Treasury</p>	<p>The Secretary of the Treasury shall deposit into the Department of Veterans Affairs Health Plan Fund on the first day of each fiscal year quarter, from amounts not otherwise appropriated, the amount certified to the Secretary under subsection (b) with respect to the fiscal year quarter beginning on that date. The first such deposit shall be made with respect to the first fiscal year quarter during which the Secretary operates a VA health plan under the Health Security Act.</p>	<p>Would require the Secretary of the Treasury to make quarterly deposits into the Health Plan Fund from amounts not otherwise appropriated those amounts certified by the Secretary of Veterans Affairs as described below.</p> <p>This section would transfer responsibility for determining funding levels for VA health plans from the Congress to the Secretary of Veterans Affairs. It would give the Secretary--and the Director of the Office of Management and Budget--wide discretion in determining the capacity of VA health plans. The Secretary, or OMB, could increase or decrease the capacity of VA health plans and therefore VA appropriations by changing the projected number of enrollees.</p> <p>This section does not provide funding for the additional chapter 17 outpatient services VA health plans would be required to provide to core group enrollees under the amended section 8103(b) of the Health Security Act. Such services would be paid for entirely through appropriations. VA officials agreed that funds deposited in the revolving fund could not be used to pay for such services. Proposed section 1834(d) of 38 U.S.C. limits the use of amounts in the revolving fund to payment of expenses for items in the comprehensive benefit package and any supplemental benefits policies.</p>
<p>(b)Certifica- tion of Amount.</p>	<p>Not later than 30 days before the beginning of each fiscal year quarter, the Secretary of Veterans Affairs shall certify to the Secretary of the Treasury the amount determined for that quarter under subsection (c).</p>	<p>The Secretary of Veterans Affairs would be required to provide the above certifications not later than 30 days before the beginning of each fiscal year quarter.</p> <p>It is not clear how this funding mechanism would correspond to the funding and enrollment cycles for regional alliance health plans.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1835(c) Determination of Amount	<p>(1) The amount to be certified to the Secretary of the Treasury under subsection (b) for any fiscal year quarter is the product of</p> <p>(A) the projected number of VA enrollees described in section 1831(b) of this title as of the beginning of that fiscal year quarter, and</p> <p>(B) the capitated enrollment amount for that fiscal year determined under subsection (d).</p>	The amount to be certified to the Secretary of the Treasury is the product of (1) the projected number of core group veteran enrollees and (2) the "capitated enrollment amount" for that fiscal year.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1835(c) (continued)	<p>(2) The Secretary shall adjust future certifications under this subsection to take account of</p> <p>(A) differences between the actual number of veterans described in section 1831(b) of this title enrolled for a fiscal year quarter and the projected number used in the certification for that quarter pursuant to paragraph (1); and</p> <p>(B) any information that the Secretary finds would produce a more accurate capitated enrollment amount by enabling the Secretary to estimate more accurately the costs that the Department will incur during the period covered by any such certification in providing those services that are specified to be included in the comprehensive benefit package.</p>	<p>The Secretary of Veterans Affairs would be required to adjust future certifications to account for (1) differences between actual and anticipated enrollments and (2) any information the Secretary finds that would produce a more accurate capitated enrollment amount.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1835(d) Capitated Enrollment Amount	<p>(1) The Secretary shall determine the capitated enrollment amount for purposes of subsection (c). The initial capitated enrollment amount shall be determined as the amount equal to</p> <p>(A) the annual full cost (as defined in OMB Circular A-25, issued on July 8, 1993) that has been incurred by the Department in providing those services that are specified to be included in the comprehensive benefit package, based upon the most recent cost data available as of the time of the determination, adjusted for inflation to the date of the determination based upon the medical care consumer price index calculated by the Bureau of Labor Statistics, divided by,</p> <p>(B) the total number of veterans described in section 1831(b) of this title who received those services.</p>	<p>The initial capitated enrollment amount is to be determined by dividing (1) the annual full cost incurred by VA in providing those services specified to be included in the comprehensive benefit package (based on the most recent cost data available) and adjusted for inflation based on the Bureau of Labor Statistics' medical care consumer price index) by (2) the total number of core veterans who received those services.</p> <p>The capitated enrollment amount would have little relationship to potential VA costs of providing the comprehensive benefit package and could overstate or understate actual VA costs. First, VA cost data do not allow it to accurately determine the cost of providing individual services. Second, dividing the total cost of providing comprehensive benefits to both core group and other veterans by only the number of core group veterans using the services could overstate the cost of providing comprehensive benefits to core group veterans.</p> <p>Third, relying on data only for those who actually used VA services during the year may underestimate potential utilization since most veterans do not now rely exclusively on the VA.</p> <p>To the extent that the method results in Treasury payments to the revolving fund that exceed VA's actual costs of providing services to core group veterans, the funds would remain in the revolving fund indefinitely. In effect, they could be used to subsidize the costs of providing services to other veterans and dependents.</p>

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1835(d) (continued)	(2) The Secretary shall include in the total annual cost for purposes of paragraph (1)(A) the amount appropriated for fiscal year 1994 for the medical and prosthetic research functions of the Veterans Health Administration.	<p>In tabulating VA's total annual cost, the Secretary of Veterans Affairs will include the amount appropriated for fiscal year 1994 for VA medical and prosthetic research.</p> <p>It is not clear why the total appropriation for medical and prosthetic research is being added to the cost of providing services included in the comprehensive benefit package. Such costs, particularly prosthetic research and geriatric research, apply more to those chapter 17 benefits not included in the comprehensive benefit package than to those included in the package.</p>
	(3) The Secretary shall develop the methodology for determining the initial capitated enrollment amount under paragraph (1) in consultation with the Comptroller General of the United States. If the Comptroller General disagrees with the methodology proposed to be used by the Secretary, the Comptroller General shall promptly notify the Committees on Veterans' Affairs of the Senate and House of Representatives. The determination of that amount shall be made not later than June 1, 1995.	<p>Requires the Secretary of Veterans Affairs to develop the methodology for determining the initial capitated enrollment amount in consultation with GAO. If GAO disagrees with the methods proposed by VA, GAO is required to promptly notify the Veterans' Affairs committees.</p> <p>VA currently lacks adequate data on the cost of services it provides. Accordingly, without significant improvements in VA cost data, GAO would find it difficult to accept any method VA might develop for determining the initial capitated enrollment amount.</p>
	(4) The initial capitated enrollment amount, as adjusted annually for inflation based upon the medical care consumer price index calculated by the Bureau of Labor Statistics, shall apply for the first five fiscal years during which the Secretary operates a VA health plan.	The initial capitated enrollment amount, as adjusted for the rate of medical inflation, will apply for the first 5 fiscal years during which VA operates VA health plans.

Section	Provision	GAO Analysis
Proposed chapter 18 of title 38 U.S.C.		
1835(d) (continued)	<p>(5)(A) Not later than the end of the third fiscal year during which the Secretary operates a VA health plan, the Secretary shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report on what actions, if any, would be necessary in order for the Department to change the annual capitated enrollment amount by the end of the fifth such year from the initial amount determined under paragraph (1) to an amount determined using the method described in subparagraph (B), or to amounts determined by some other methodology, without a reduction in quality of care.</p> <p>(5)(B) The method for determining the annual capitated enrollment amount for purposes of the study under this paragraph is to determine the average premium that would be payable under the Health Security Act for individuals enrolled in health plans other than VA health plan which have enrollment populations with disproportionate numbers of persons with similar demographic and patient-risk characteristics to the population of VA enrollees.</p>	<p>VA would be required to report to the Congress no later than the end of the third year of operation of VA health plans on actions needed to change the annual capitated enrollment amount by the end of the fifth year to the method described below or to some other methodology.</p> <p>The proposed method for determining the annual capitated enrollment amount after the initial 5-year period is to use the average premium that would be payable under the Health Security Act for individuals enrolled in health plans other than VA health plans that have enrollment populations with disproportionate numbers of people in similar demographic and patient-risk characteristics to the population of VA enrollees.</p>

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8101(a)(2). Clerical Amendment	<p>The table of chapters at the beginning of part II of title 38, United States Code, is amended by inserting after the item relating to chapter 17 the following new item:</p> <p>"18. Benefits and Eligibility Under Health Security Act.....1801".</p>	Adds chapter 18 to the table of chapters at the beginning of part II, title 38 U.S.C.
(b) Preservation of Existing Benefits for Facilities not Operating as Health Plans	<p>(1) Chapter 17 of title 38, United States Code, is amended by inserting after section 1704 the following new section:</p> <p style="text-align: center;">.</p> <p style="text-align: center;">.</p> <p>(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1704 the following new item:</p> <p>"1705. Facilities not operating within health plans; veterans not eligible to enroll in health plans."</p>	Would add a new section 1705 to title 38 U.S.C. and add section 1705 to the table of sections at the beginning of chapter 17, title 38 U.S.C.

Section	Provision	GAO Analysis
Proposed new section of title 38 U.S.C.		
<p>1705. Facilities Not Operating Within Health Plans: Veterans Not Eligible to Enroll in Health Plans</p>	<p>The provisions of this chapter shall apply with respect to the furnishing of care and services--</p> <p>(1) by any facility of the Department that is not operating as or within a health plan certified as a health plan under the Health Security Act; and</p> <p>(2) by any facility of the Department (whether or not operating as or within a health plan certified as a health plan under the Health Security Act) in the case of a veteran who is not an eligible individual within the meaning of section 1001 of the Health Security Act.</p>	<p>Provides that the provisions of chapter 17, title 38 U.S.C., apply with respect to the furnishing of care and services (1) by a VA facility not operating as or within a VA health plan or (2) to a veteran who is not an eligible individual under the meaning of section 1001 of the Health Security Act.</p>

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8102. Organization of Department of Veterans Affairs Facilities as Health Plans	(a) In General. Chapter 73 of title 38, United States Code, is amended--  (1) by redesignating subchapter IV as subchapter V; and  (2) by inserting after subchapter III the following new subchapter:  SUBCHAPTER IV--PARTICIPATION AS PART OF NATIONAL HEALTH CARE REFORM	Adds a new subchapter IV to chapter 73, title 38 U.S.C., and redesignates the existing subchapter IV as subchapter V.
<b>Proposed new section of chapter 73, title 38 U.S.C.</b>		
7341(a) Organization of Health Care Facilities as Health Plans	The Secretary shall organize health plans and operate Department facilities as or within health plans under the Health Security Act. The Secretary shall prescribe regulations establishing standards for the operation of Department health care facilities as or within health plans under that Act. In prescribing those standards, the Secretary shall assure that they conform, to the maximum extent practicable, to the requirements for health plans generally set forth in part 1 of subtitle E of title I of the Health Security Act.	Directs the Secretary of Veterans Affairs to organize health plans under the Health Security Act and to prescribe regulations establishing standards for the operation of those health plans. The regulations are to conform, to the extent practicable, to the same requirements established for other health plans under the Health Security Act.

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
7341(b)	Within a geographic area or region, health care facilities of the Department located within that area or region may be organized to operate as a single health plan encompassing all Department facilities within that area or region or may be organized to operate as several health plans.	Gives the Secretary the discretion to organize VA facilities into a single health plan within a geographic area or region or to operate as several health plans. A VA facility could be a part of more than one VA health plan.
(c)	<p>In carrying out responsibilities under the Health Security Act, a State (or a State-established entity)--</p> <p>(1) may not impose any standard or requirement on a VA plan that is inconsistent with this section or any regulation prescribed under this section or other Federal laws regarding the operation of this section; and</p> <p>(2) may not deny certification of a VA health plan under the Health Security Act on the basis of a conflict between a rule of a state or health alliance and this section or regulations prescribed under this section or other Federal laws regarding the operation of this section.</p>	States would not be allowed to (1) impose any requirement on a VA health plan that is inconsistent with this section or other federal laws and (2) deny certification of a VA health plan on the basis of a conflict between a rule of a state or health alliance and this section or regulations prescribed under this section. This would appear to give wide discretion to the Secretary to determine the extent to which it is practicable for VA to conform to state or regional alliance requirements.

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
<p>7342. [Contract Authority for Facilities Operating as or Within Health Plans] Health Care Resource Agreements</p>	<p>[The Secretary may enter into a contract (without regard to provisions of law requiring the use of competitive procedures) for the provision of services by a VA health plan in any area in which the Secretary determines that such contracting is more cost-effective than providing such services directly through Department facilities or when such contracting is necessary because of geographic inaccessibility.]</p> <p>(a) A VA health plan or the director of a Department of Veterans Affairs health care facility that is operating as or within a VA health plan may, without regard to section 1703 of this title or any other law or regulation pertaining to competitive procedures, acquisition procedures or policies (other than contract dispute settlement procedures), or bid protests, enter into agreements with health care plans, insurers, and health care providers, and with any entity or individual, to furnish or obtain any health-care resource, as that term is defined in section 8152 of this title.</p>	<p>Would authorize the Secretary to enter into contracts for the provision of services by VA health plans without regard to provisions of law requiring the use of competitive bidding. This waiver of competitive procurement requirements would apply whenever the Secretary determines that such contracting would be more cost-effective than providing such services directly through VA facilities or when such contracting is necessary because of geographic inaccessibility.</p> <p>Amended to broaden the exemption of VA health plans from contracting procedures. In addition to being exempted from laws requiring the use of competitive procedures, VA health plans and directors of VA facilities operating within VA health plans would be allowed to contract without regard to contracting requirements in current VA law or any other law or regulation pertaining to competitive procedures, acquisition procedures or policies, or bid protests.</p> <p>These amendments would essentially eliminate current provisions of law governing the contracting process, including internal controls intended to prevent fraud and abuse. In addition, they would establish incentives for VA health plans and facilities to place higher priority on providing services to nonveterans under contracts or resource sharing agreements than to veterans because the facility would be allowed to retain the full proceeds from the transaction; the VA health plan would not necessarily receive the same payment for care provided to veterans.</p>

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
7342 (continued)	(b) Any proceeds to the Government received from an agreement under subsection (a) shall be credited to the Department of Veterans Affairs Health Plan Fund established under section 1834 of this title and to funds that have been allotted to the facility that furnished the resource involved.	Amended to provide that any proceeds to the government from such contracts or resource agreements will be credited to VA's Health Care Fund and to funds allocated to the facility that furnished the resource.
[7343. Resource Sharing Authority: Facilities Operating as or Within Health Plans]	[The Secretary may enter into agreements under section 8153 of this title with other health care plans, with other health care providers, and with other health industry organizations, and with individuals, for the sharing of resources of the Department through facilities of the Department operating as or within health plans.]	Would expand the Secretary's authority under 38 U.S.C. 8153 to enter into sharing agreements for specialized medical resources with other health plans, health care providers, health industry organizations, and individuals. Currently, section 8153 only permits agreements with other health care facilities, research centers, medical schools, and state veterans' home facilities.
734[4]3(a) Administrative and Personnel Flexibility	In order to carry out this subchapter, the Secretary may--  (1) subject to section 1822(c) of this title, carry out administrative reorganizations of the Department without regard to those provisions under section 510 of this title following subsection (a) of [the] that section; and	Would allow the Secretary to carry out administrative reorganizations without regard to 38 U.S.C. 510, which requires notification of appropriate congressional committees if the reorganization reduces the full-time staff at a facility by 15 percent or more over 1 year or 25 percent or more over 2 fiscal years.  Amended to limit the Secretary of Veterans Affairs' authorization to conduct administrative reorganizations that would affect VA's capacity to provide specialized services by making the authorization subject to the new section 1822(c) provision relating to preservation of specialized treatment capabilities.

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
734[4]3(a) (continued)	<p>(2) when the Secretary finds it is cost-effective or necessary in order to provide health care services in a timely manner--</p> <p>(A) enter into contracts for procurement of any commercially available item at a cost of under \$100,000 without regard to any provision of law or regulation (i) requiring competitive procedures; (ii) mandating or giving priority to any source of supply; or (iii) pertaining to protests; and</p> <p>(B) enter into contracts without regard to section 8110(c) of this title for the performance of services previously performed by employees of the Department. [without regard to section 8110(c) of this title.]</p>	<p>Would allow the Secretary to contract for services currently performed by VA employees without regard to 38 U.S.C. 8110(c), which, in general, limits the Secretary's ability to convert an activity performed by federal employees at a health care facility to an activity performed by a contractor.</p> <p>Amended to authorize the Secretary to enter into contracts for any commercially available item at a cost of under \$100,000 without regard to current laws and regulations requiring competitive bidding, mandating or giving priority to any source of supply, or pertaining to bid protests.</p> <p>This provision essentially eliminates the existing internal controls over contracts to purchase items under \$100,000 as well as such provisions as priorities given to minority contractors and small businesses.</p> <p>Revisions are pending to procurement laws that would encourage and simplify purchase of "commercial items" and simplify acquisition procedures for purchases under \$100,000.</p>
(b)	<p>The Secretary may establish alternative personnel systems or procedures for personnel at facilities operated as or with[in] health plans under the Health Security Act whenever the Secretary considers such action necessary in order to carry out the terms of that Act, except that the Secretary shall provide for preference eligibles (as defined in section 2108 of title 5[, United States Code]) in a manner comparable to the preference for such eligibles under subchapter I of chapter 33, and subchapter I of chapter 35, of such title.</p>	<p>Would give the Secretary wide discretion to establish new personnel systems or procedures at facilities operated as or within health plans under the Health Security Act. The sole exception to this discretion is that veterans' preference will continue in a manner comparable to current law.</p>

Section	Provision	GAO Analysis
<b>Proposed new section of chapter 73, title 38 U.S.C.</b>		
734[4]3(c)	Subject to the provisions of section 1404 of the Health Security Act, the Secretary may carry out appropriate promotional, advertising, and marketing activities to inform individuals of the availability of facilities of the Department operating as or within health plans. [Such activities may only be carried out using nonappropriated funds.]	<p>Would allow VA to carry out promotional, advertising, and marketing activities to inform individuals of the availability of facilities of the Department operating as or within health plans.</p> <p>VA would be limited to using nonappropriated funds for its marketing activities. The proposed new section 8102(c) of the Health Security Act would allow the use of appropriated funds for marketing activities during fiscal year 1994.</p> <p>Amended to eliminate the requirement that only nonappropriated funds be used for marketing activities.</p>

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
734[5]4. Veterans Health Care [Investment] Transition Fund	<p>[(a) There is hereby authorized to be appropriated to the Department, in addition to amounts otherwise authorized to be appropriated to the Department for VA health plans, such amounts as are necessary for the Secretary of the Treasury to fulfill the requirement of subsection (b).]</p> <p>[(b)] (a) For each of fiscal years 1995, 1996, and 1997, the Secretary of the Treasury shall [, subject to subsection (a),] credit to a special fund (in this section referred to as the "Fund") of the Treasury an amount equal to--</p> <p>(1)[\$1,000,000,000] \$1,250,000,000 for fiscal year 1995;</p> <p>(2) [\$600,000,000]\$850,000,000 for fiscal year 1996; and</p> <p>(3) [\$1,700,000,000] \$1,950,000,000 for fiscal year 1997.</p>	<p>Would authorize the appropriation of \$3.3 billion over 3 fiscal years to a Veterans Health Care Investment Fund.</p> <p>Amended to increase the amount to be appropriated from \$3.3 billion to \$4.05 billion and change the name of such fund to the Veterans Health Care Transition Fund.</p>
	<p>[(c)(1) Subject to paragraph (2), a](b)Amounts in the Fund shall be available to the Secretary only for VA health plans authorized under this chapter. Such amounts are available without fiscal year limitation for costs of commencing operation of VA health plans, including consulting services, equipment, marketing, and other costs, minor construction, and (subject to section 8104 of this title) major construction.</p>	<p>Provides that amounts in the Veterans Health Care Investment Fund are available only for VA health plans.</p> <p>Amended to make the funds in the Health Care Transition Fund available without fiscal year limitation and to specify that the funds could be used for start-up costs, including consulting services, equipment, marketing, and certain construction.</p>

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
734[5]4 (continued)	[[c)(2) For fiscal year 1995, 1996, or 1997, the amount credited to the Fund for the fiscal year shall be available for use by the Secretary under paragraph (1) only if appropriations Acts for that fiscal year, without addition of amounts provided under subsection (a) for the Fund, provide new budget authority for the Department of Veterans Affairs Medical Care account, for that fiscal year, of no less than the amount for that account proposed in the budget of the president for that fiscal year under section 1105 of title 31.]	The funds credited to the Veterans Health Care Investment Fund would be available for use by VA only if appropriations acts for the appropriate fiscal year provide new budget authority for the medical care account equal to or greater than the amount proposed by the President in his budget submission.  Provision deleted.
	[[d]] (c)The Secretary shall submit to Congress, no later than March 1, 1997, a report concerning the operation of the Department of Veterans Affairs health care system in preparing for, and operating under, national health care reform under the Health Security Act during fiscal years 1995 and 1996. The report shall include a discussion of--  (1) the adequacy of amounts in the Fund for the operation of VA health plans;  (2) the quality of care provided by such plans;  (3) the ability of such plans to attract patients; and  (4) the need (if any) for additional funds for the Fund in fiscal years after fiscal year 1997.	VA would be required to report to the Congress by March 1, 1997, on its preparations for and operations under the Health Security Act during fiscal years 1995 and 1996. VA would be required to discuss (1) the adequacy of the amounts in the Veterans Health Care Investment Fund, (2) quality of care, (3) the plans' ability to attract patients, and (4) the need for additional amounts for the Veterans Health Care Investment Fund for fiscal years after 1997.

Section	Provision	GAO Analysis
Proposed new section of chapter 73, title 38 U.S.C.		
734[6]5. Funding Provisions: Grants and Other Sources of Assistance	The Secretary may apply for and accept, if awarded, any grant or other source of funding that is intended to meet the needs of special populations and that but for this section is unavailable to facilities of the Department or to health plans operated by the Government if funds obtained through the grant or other source of funding will be used through a facility of the Department operating as or within a health plan.	VA would be authorized to apply for and accept grants or other sources of funding intended to meet the needs of special populations. For example, VA could apply for grants from the National Institutes of Health, the Robert Wood Johnson Foundation, or other organizations. The grants or other sources of funding could be for research, the delivery of health care services, or both.

Section	Provision	GAO Analysis
Health Security Act		
8102(b)	<p>Clerical Amendment.--The table of sections at the beginning of chapter 73 is amended by striking out the item relating to the heading for subchapter IV and inserting in lieu thereof the following:</p> <p>"SUBCHAPTER IV--PARTICIPATION AS PART OF NATIONAL HEALTH CARE REFORM"</p> <p>7341. Organization of health care facilities as health plans.</p> <p>7342. [Contract authority for facilities operating as or within health plans.]Health Care Resource Agreements.</p> <p>7343. [Resource sharing authority: facilities operating as or within health plans.</p> <p>7344.]Administrative and personnel flexibility.</p> <p>734[5]4. Veterans Health Care [Investment] Transition Fund.</p> <p>734[6]5. Funding provisions; grants and other sources of assistance.</p> <p>Subchapter 5--Research Corporations</p>	<p>Clerical amendment creating a new table of sections at the beginning of chapter 73, title 38 U.S.C.</p> <p>Revised to reflect amendments to chapter 73, title 38 U.S.C.</p>
[(c)]	<p>[Transition Provision--The limitation in the second sentence of section 7344(c) of title 38, United States Code, as added by subsection (a), shall not apply during fiscal year 1994.]</p>	<p>VA would be permitted to use appropriated funds for marketing, promotional, and advertising purposes during fiscal year 1994.</p> <p>Amended to delete this provision.</p>

Section	Provision	GAO Analysis
Health Security Act		
8103. Eligibility for Chapter 17 Care  (a) Nursing Home Care	Section 1710(a)(1) of title 38, United States Code, is amended by inserting "(or, in the case of a veteran described in subparagraph (A) or (D) below, shall furnish nursing home care)" after "may furnish nursing home care".	Would create a new entitlement to nursing home care for veterans with service-connected disabilities rated at 50 percent or more and veterans who require nursing home care for a service-connected disability. Currently, nursing home care is a discretionary benefit for all veterans.
(b) Outpatient Care For Enrolled Veterans	Paragraph (1) of section 1712(a) of such title is amended--  (1) by striking out "and" at the end of subparagraph (B);  (2) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and  (3) by adding at the end the following:  "(D) to any veteran described in section 1831(b) of this title who is enrolled under section 1811 of this title and the Health Security Act with a VA health plan (as defined in section 1801 of this title), for any disability to the extent that care and treatment of that disability is not included within the comprehensive benefit package (as defined in section 1801 of this title)."	Provides that VA will provide any veteran in the core group who enrolls in a VA health plan with any needed outpatient services (other than dental care) that are not covered or not fully covered under the comprehensive benefit package.  This provision would essentially require VA to provide to service-connected, low-income, and other core group veterans enrolling in VA health plans any outpatient services, including prescription drugs and vision care, not covered or not fully covered under the comprehensive benefit package. It is not clear whether this becomes a contractual right to the services or whether the services would still be subject to space and resource limits. The provisions would, however, eliminate conditions for eligibility such as limiting services to those that obviate the need for hospitalization and prior hospitalization requirements that otherwise might have limited access to benefits.  VA officials interpret the provision of care under this section as being subject to the availability of space and resources. They also believe, however, that they have always had adequate resources to meet the needs of all veterans in the mandatory care category.

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8103(c) Obviate-the-Need Outpatient Care	<p>(1) Paragraph (2) of such section is amended by striking out "The Secretary" and all the follows through "this subsection..." and inserting in lieu thereof "Except as provided in subsection(b) of this section, the Secretary shall furnish on an ambulatory or outpatient basis such medical services as the Secretary determines are needed..."</p> <p>(2) Paragraph (4) of such section is amended by striking out "medical services for a purpose described in paragraph (5) of this subsection" and inserting in lieu thereof ", to the extent that facilities are available, such medical services as the Secretary determines are needed".</p> <p>(3) Such section is further amended by striking out paragraph (5) and redesignating paragraph (6) as paragraph (5).</p>	<p>For veterans who do not enroll with VA health plans, VA may provide outpatient services (other than dental care) that are not covered or not fully covered under the comprehensive benefit package without regard to whether such service would obviate the need for hospital care or whether the service is reasonably necessary in preparation for hospital admission.</p>

Section	Provision	GAO Analysis
Health Security Act		
8103(d) Conforming Amendments	<p>(1) Section 1701(6) of such title is amended by striking out "(except under the circumstances described in section 1712(a)(5)(A)".</p> <p>(2) Section 1701(6)(B)(i)(II) of such title is amended by striking "section 1712(a)(5)(B)" and inserting in lieu thereof "section 1712".</p> <p>(3) Section 1703(a)(2)(B) of such title is amended by striking out "for a purpose described in section 1712(a)(5)(B) of this title" and inserting in lieu thereof "to complete treatment incident to hospital, nursing home, or domiciliary care that has been provided by the Department".</p> <p>(4) Section 1712(A)(b)(1) of such title is amended by striking out "section 1712(a)(5)(B)" and inserting in lieu thereof "section 1703(a)(2)(B)".</p>	Conforming amendments.

Section	Provision	GAO Analysis
Health Security Act		
8104. Authority to Provide Health Care for Herbicide and Radiation Exposure  (a) Authorized Inpatient Care	Section 1710(e) of title 38, United States Code, is amended to read as follows:  "(e)(1)(A) Subject to paragraph (2), a herbicide- exposed veteran is eligible for hospital care and nursing home care under subsection (a)(1)(G) for any disease specified in subparagraph (B).	Veterans who served in Vietnam during the Vietnam era whom VA finds may have been exposed to an herbicide agent are eligible for hospital care and nursing home care for the diseases specified below.

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8104(a) (continued)	<p>"Section 1703(e)(1)(B) The diseases referred to in subparagraph (A) are those for which the National Academy of Sciences, in a report issued in accordance with section 2 of the Agent Orange Act of 1991, has determined--</p> <p>"(i) that there is sufficient evidence to conclude that there is a positive association between occurrence of the disease in humans and exposure to a herbicide agent;</p> <p>"(ii) that there is evidence which is suggestive of an association between occurrence of the disease in humans and exposure to a herbicide agent, but such evidence is limited in nature; or</p> <p>"(iii) that available studies are insufficient to permit a conclusion about the presence or absence of an association between occurrence of the disease in humans and exposure to a herbicide agent.</p>	Covered diseases are those that the National Academy of Sciences has found or subsequently finds either some evidence of, or insufficient evidence to permit a conclusion on the presence or absence of, an association between diseases in humans and exposure to an herbicide.

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8104(a) (continued)	<p>(C) A radiation-exposed veteran is eligible for hospital care and nursing home care under subsection (a)(1)(G) for--</p> <p>    "(i) any disease listed in section 1112(c)(2) of this title; and</p> <p>    "(ii) any other disease for which the Secretary, based on the advice of the Advisory Committee on Environmental Hazards, determines that there is credible evidence of a positive association between occurrence of the disease in humans and exposure to ionizing radiation.</p>	<p>Veterans who have been exposed to radiation are eligible for hospital and nursing home care for any disease for which the Secretary of Veterans Affairs determines there is credible evidence of an association between diseases in humans and exposure to ionizing radiation.</p>

Section	Provision	GAO Analysis
Proposed change to title 38 U.S.C.		
1710(e)(2)	Hospital and nursing home care may not be provided under or by virtue of paragraph (1)(A) after September 30, 1996.	Provides that hospital and nursing home care cannot be provided to veterans exposed to toxic herbicides under the above provisions after September 30, 1996.
1710(e)(3)	<p>For purposes of this subsection and section 1712 of this title--</p> <p>(A) the term "herbicide-exposed veteran" means a veteran (i) who served on active duty in the Republic of Vietnam during the Vietnam era, and (ii) who the Secretary finds may have been exposed during such service to a herbicide agent;</p> <p>(B) the term "herbicide agent" has the meaning given the term in section 1116(a)(4) of this title; and</p> <p>(C) the term "radiation-exposed veteran" has the meaning given that term in section 1112(c)(4) of this title.</p>	Provides definitions of "herbicide-exposed veteran," "herbicide agent," and "radiation-exposed veteran."

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8104(b) Authorized Outpatient Care	<p>Section 1712 of such title is amended--</p> <p>(1) in subsection (a)(1)--</p> <p>(A) by striking out "and" at the end of subparagraph (B);</p> <p>(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof a semicolon; and</p> <p>(C) by adding at the end the following:</p> <p>"(D) during the period before October 1, 1996, to any herbicide-exposed veteran for any disease listed in section 1710(e)(1)(B) of this title; and</p> <p>"(E) to any radiation-exposed veteran for any disease covered under section 1710(e)(1)(C) of this title."; and</p> <p>(2) in subsection (i)(3)--</p> <p>(A) by striking out "(A)"; and</p> <p>(B) by striking out ", or (B)" and all that follows through "title".</p>	<p>Herbicide-exposed veterans and radiation-exposed veterans would also be eligible for outpatient treatment for any disease that may be related to their exposures as discussed above. This provision would remain in effect until October 1, 1996, for herbicide-exposed veterans but would continue after that time for radiation-exposed veterans.</p>

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8104(c) Savings Provision	The provisions of sections 1710(e) and 1712(a) of title 38, United States Code, as in effect on the day before the date of the enactment of this Act, shall apply with respect to hospital care, nursing home care, and medical services in the case of any veteran furnished care or services before such date of enactment on the basis of presumed exposure to a substance or radiation under the authority of those provisions.	Current provisions with respect to the provision of hospital, nursing home care, and medical services would continue in effect for any veteran furnished care on the basis of presumed exposure to toxic herbicides or radiation before the enactment of the Health Security Act.
8105. Extension of Authority to Provide Priority Health Care for Exposure to Environmental Hazards  (a) Authorized Inpatient Care	Section 1710(e) of title 38, United States Code, is amended--  (1) in paragraph (1)(C), by inserting "which becomes manifest before October 1, 1996" after "for any disability"; and  (2) in paragraph (3), by striking out "December 31, 1994." and inserting in lieu thereof "September 30, 1998."	Authority to provide priority health care to veterans who may have been exposed to toxic substances or environmental hazards while serving on active duty in the Persian Gulf War would be extended for hospital and nursing home care and medical services through September 30, 1996, notwithstanding that insufficient medical evidence exists to conclude that such disability may be associated with such exposure. The provisions relating to care of veterans of the Persian Gulf War expire September 30, 1998.
(b) Authorized Outpatient Care	Section 1712(a)(1) of such title is amended by striking out "December 31, 1994, for any disability" and inserting in lieu thereof "October 1, 1998, for any disability which becomes manifest before October 1, 1996."	Authority to provide outpatient care to veterans who served on active duty in the Persian Gulf War who may have been exposed to toxic substances or environmental hazards would be extended to September 30, 1998, for any disability that becomes manifest before October 1, 1996.

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
8106. Effective Date of Coverage for High- Priority Veterans	Notwithstanding any other provision of this Act, the provisions of the amendments made by this subtitle shall take effect with respect to veterans described in section 1831(b) of title 38, United States Code, as added by section 8101, on October 1, 1995. The Secretary of Veterans Affairs shall take such steps as necessary to implement those provisions with respect to those veterans by that date.	Provides that notwithstanding any other provisions of the Health Security Act, the provisions relating to high-priority veterans will take effect on October 1, 1995.

Section	Provision	GAO Analysis
<b>Health Security Act</b>		
<p>8107. Report on Waiving Cost-Sharing for Certain Medical Care for Dependents of Persian Gulf Veterans Who May Have Been Exposed to Environmental Hazards</p>	<p>(a) Report.--The Secretary of Veterans Affairs shall submit to Congress a report on the desirability and the feasibility of waiving any requirement for cost-sharing in the case of medical care described in subsection (b) that is provided by a VA health plan under chapter 18 of title 38, United States Code (as added by section 8101), to an individual who is a VA enrollee enrolled under family-member eligibility under section 1813 of that chapter.</p> <p>(b) Persian Gulf War Illness.-- Medical care referred to in subsection (a) is medical care provided to a family member of a veteran described in subparagraph (C) of section 1710(e)(1) of title 38, United States Code, for any disease or disability occurring in that family member which the Secretary finds may be related to the service of the veteran in the Southwest Asia theater of operations during the Persian Gulf War.</p> <p>(c) Matters to be Considered.-- In preparing the report under subsection (a), the Secretary shall consider relevant studies, including those that have been (or that are being) conducted by the Department of Veterans Affairs, the Department of Defense, the National Institutes of Health, the National Academy of Sciences, and private health care providers.</p> <p>(d) Submission of Report.--The report under subsection (a) shall be submitted not later than 60 days after the date of enactment of this Act.</p>	<p>The Secretary of Veterans Affairs would be required to submit a report to the Congress within 60 days after enactment of the Health Security Act on the desirability and feasibility of waiving cost sharing for certain medical care provided to dependents of Persian Gulf war veterans who may have been exposed to environmental hazards.</p>

SECTION 2  
GAO PRODUCTS RELATED TO VA'S  
ROLE UNDER HEALTH CARE REFORM

SUMMARIES OF PRINCIPAL PRODUCTS

Veterans' Health Care: Efforts to Make VA Competitive May Create Significant Risks (Testimony, June 29, 1994, GAO/T-HEHS-94-197).

VA faces many challenges as it tries to restructure its health care system to compete in a managed care environment. Most legal barriers that might limit VA's ability to compete with private-sector managed care plans would be addressed through the Health Security Act. The act would overcome many barriers by expanding entitlement to VA health care or by exempting VA from federal and state requirements developed to prevent fraud and abuse and ensure quality of and access to health care services. In addition, many of the structural barriers, such as VA's lack of adequate cost and utilization data, will likely inhibit its efforts to establish competitive health plans. As a result, significant risks are associated with efforts to transform the VA direct delivery system into a series of managed care plans. The expanded entitlement to free comprehensive care, for example, could add billions of dollars to VA appropriations if all veterans entitled to free care seek to enroll in VA health plans.

VA Health Care: VA and the Health Security Act (Letter, May 9, 1994, GAO/HEHS-94-159R).

GAO provides a detailed analysis of the Health Security Act as submitted by the Administration. It consists of

- a discussion of the veterans' health care provisions contained under title VIII of H.R. 3600 that pertain directly to VA;
- a discussion of other provisions of the Health Security Act that mention VA; and
- a comparison of the health care services that would be covered under the comprehensive benefits package under the Health Security Act with the health care services currently covered under chapter 17 of title 38 of the United States Code.

VA Health Care Reform: Financial Implications of the Proposed Health Security Act (Testimony, May 5, 1994, GAO/T-HEHS-94-148).

The veterans' health care provisions of the Health Security Act address many of the issues discussed in our reports. GAO believes that eligibility reforms that enable VA to shift the focus of its health care system from inpatient to ambulatory and primary care

and its collateral plans to become an increasingly managed care system are long overdue steps. Several financial and policy implications, however, need to be considered by the Congress. For example, the expanded entitlement to free comprehensive health care benefits could add billions of dollars to Department of Veterans Affairs (VA) appropriations if all veterans entitled to free care seek to enroll in VA health plans. Authorizing the Secretary of Veterans Affairs to offer supplemental benefit policies covering such services as long-term nursing care could add tens of billions of dollars to VA appropriations.

Veterans' Health Care: Most Care Provided Through Non-VA Programs  
(Report, April 25, 1994, GAO/HEHS-94-104BR).

Nine out of 10 veterans have non-VA health care coverage. Veterans with Medicare coverage are unlikely to use VA services. Seven out of 10 federal dollars spent on veterans' health care come from non-VA programs. Expenditures on veterans' health care through private health insurance likely exceed those under VA health care. Veterans using VA services tend to have lower incomes and less private health insurance coverage than nonusers. Health reform could reduce VA's role as a safety net for acute-care services. President Clinton's proposed Health Security Act is the only major health reform proposal that would change the role of the VA health care system. The report points out several other options exist for restructuring the VA health care system.

Veterans' Health Care: Veterans' Perceptions of VA Services and Its Role in Health Care Reform (Testimony, April 20, 1994, GAO/T-HEHS-94-150).

GAO presented the views obtained from discussions with small groups of veterans on the current veterans health care system and the future role of VA. Several themes emerged: (1) veterans, other than those without health insurance, seemed to use VA only for certain services, such as treatment of service connected disabilities; (2) veterans' satisfaction with VA health care varied by location, but focused mainly on poor customer service; (3) veterans perceive that the care offered by VA can be erratic and some questioned the quality of care offered by facilities at other locations; (4) veterans expressed concern that changes could diminish or eliminate veterans' health benefits; (5) some veterans did not see a need to maintain separate veterans' health care facilities, as long as veterans were given a viable alternative; and (6) veterans frequently indicated the needs of veterans with service-connected disabilities should receive the highest priority.

VA Health Care: A Profile of Veterans Using VA Medical Centers in 1991 (Report, Mar. 29, 1994, GAO/HEHS-94-113FS).

Of the 2.2 million veterans who used VA medical centers in 1991, two-thirds had family incomes under \$20,000; in contrast, about 10

percent had family incomes over \$40,000. Lower incomes tended to prevail among nonservice-connected, unmarried, and younger veterans. About 45 percent of the veterans were employed and 45 percent were retired. About 46 percent of the veterans were married and 16 percent had dependents other than a spouse. About 25 percent of the veterans used VA for inpatient services; almost all used VA for outpatient services.

VA Health Care: Comparison of VA Benefits With Other Public and Private Programs (Report, July 29, 1993, GAO/HRD-93-94).

The complex eligibility and entitlement provisions of the Department of Veterans Affairs (VA) place more restrictions on the availability of services than do other programs. About two-thirds of veterans eligible for VA care can obtain medical services only to the extent that space and resources are available after other veterans with higher priorities for care are served. Other public and private health care programs essentially guarantee payment for covered services to all eligible participants. Once in the VA system, veterans are generally offered a more extensive array of services, fewer limitations in terms of the duration and number of visits or services covered, and less cost sharing than are available under most public and private health benefit programs.

VA Health Care: Potential for Offsetting Long-Term Care Costs Through Estate Recovery (Report, July 27, 1993, GAO/HRD-93-68).

VA could potentially offset a significant portion of its nursing home and domiciliary care costs if it had the same authority states have to operate estate recovery programs under Medicaid. The potential for recovering nursing home and domiciliary costs may be greater for veterans than for Medicaid recipients because (1) home ownership is significantly higher among elderly VA hospital users than among Medicaid nursing home recipients, and (2) veterans living in VA facilities generally contribute much less of their incomes toward the cost of their care than do Medicaid recipients. Oregon's successful Medicaid estate recovery program could serve as a model for a VA program.

VA Health Care: Variabilities in Outpatient Care Eligibility and Rationing Decisions (Report, July 16, 1993, GAO/HRD-93-106).

Veterans' access to outpatient care at VA medical centers varies widely for two reasons: (1) medical centers interpret VA outpatient eligibility criteria differently, and (2) medical centers' rationing decisions vary, including whether to ration and what rationing method to use. This variation results in veterans with similar medical conditions or income status receiving outpatient care at some medical centers but not at others.

VA Health Care: Veterans' Efforts to Obtain Outpatient Care From Alternative Sources (Report, July 14, 1993, GAO/HRD-93-123).

Of 198 veterans surveyed, 168 (85 percent) obtained needed care after VA medical centers turned them away. These veterans received diagnostic evaluations or needed treatment, including medication, for the same conditions for which they had initially sought treatment at the VA centers. The remaining 30 veterans did not obtain further medical care, primarily because they could not afford it.

VA Health Care: Offsetting Long-Term Care Costs by Adopting State Copayment Practices (Report, Aug. 12, 1992, GAO/HRD-92-96).

VA could offset a larger portion of its nursing home and domiciliary costs if the Congress authorized it to adopt charging policies similar to those that most states GAO visited use to offset the costs of operating their state veterans' homes. In fiscal year 1990, VA offset less than 1 percent of its costs to provide nursing home and domiciliary care in VA and community facilities through copayments. In comparison, the eight states GAO visited that charged for care offset from 4 to 43 percent of state home operating costs through copayments. If VA had offset similar percentages, its yearly recoveries would have been between \$43 million and \$464 million.

VA Health Care: Alternative Health Insurance Reduces Demand for VA Care (Report, June 30, 1992, GAO/HRD-92-79).

Demand for VA inpatient services, as measured by days-of-care provided to veterans, could drop by about 47 percent if the United States establishes a universal health care program that does not include changes in the VA health care system. Similarly, demand for outpatient services could drop by about 41 percent. The actual decreases, including the impact on nursing home usage, could vary significantly depending on the type of universal coverage program adopted. Although many veterans would continue to seek VA treatment, the magnitude of the likely decrease in demand for VA-sponsored health care suggests that the VA health care system should be included in any debate about reform of the American health care system.

OTHER RELATED PRODUCTS

Veterans' Health Care: Potential Effects of Health Care Reforms on VA's Major Construction Program (Testimony, May 6, 1993, GAO/T-HRD-93-19).

Veterans' Health Care: Potential Effects of Health Financing Reforms on Demand for VA Services (Testimony, Mar. 31, 1993, GAO/T-HRD-93-12).

Veterans' Health Care: Potential Effects of Health Reforms on VA Construction (Testimony, Mar. 3, 1993, GAO/T-HRD-93-7).

VA Health Care: Actions Needed to Control Major Construction Costs (Report, Feb. 26, 1993, GAO/HRD-93-75).

Veterans' Affairs Issues (Report, Dec. 1992, GAO/OCG-93-21TR).

VA Health Care: Demonstration Project Concerning Future Structure of Veterans' Health Program (Testimony, Aug. 11, 1992, GAO/T-HRD-92-53).

Veterans Affairs: Accessibility of Outpatient Care at VA Medical Centers (Testimony, July 21, 1993, GAO/T-HRD-93-29).