

107TH CONGRESS  
1ST SESSION

# H. R. 1911

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

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## IN THE HOUSE OF REPRESENTATIVES

MAY 17, 2001

Mr. SAXTON (for himself, Mr. MORAN of Kansas, Mr. ANDREWS, Mr. LOBIONDO, and Mr. KING) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Veterans' Affairs and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Veterans Medicare Re-  
5 imbursement Demonstration Act of 2001”.

1 **SEC. 2. FINDINGS.**

2 The Congress makes the following findings:

3 (1) The health care system of the Department  
4 of Veterans Affairs enrolls veterans in 7 designated  
5 priority groups and provides health care services to  
6 veterans based upon these priority groups, with pri-  
7 ority group 1 given the highest priority and priority  
8 group 7 given the lowest.

9 (2) Due to budgetary limitations in moneys ap-  
10 propriated to the Department of Veterans Affairs  
11 for veterans health care, certain veterans in lower  
12 priority groups could face limitations in access to  
13 health care from the Department of Veterans Af-  
14 fairs.

15 (3) Veterans participating in the health care  
16 system of the Department of Veterans Affairs and  
17 served under the lower priority groups 5, 6, and 7  
18 are either low-income veterans whose annual income  
19 and net worth are below established thresholds, vet-  
20 erans whose incomes are above the thresholds and  
21 do not have service-connected disabilities that qualify  
22 them for priority care in that health care system, or  
23 other eligible veterans not already covered in groups  
24 1–4.

25 (4) Allowing medicare-eligible veterans in these  
26 lower priority groups to utilize their medicare bene-

1 fits in the health care system of the Department of  
2 Veterans Affairs provides veterans greater access to  
3 health care services and greater flexibility in choos-  
4 ing their health care providers.

5 (5) Allowing these veterans to utilize their  
6 medicare benefits in the health care system of the  
7 Department of Veterans Affairs also provides health  
8 care facilities of the Department of Veterans Affairs  
9 greater flexibility in serving veterans.

10 (6) All veterans should have access to necessary  
11 health care, and this Act takes the next step in dem-  
12 onstrating the value of medicare subvention, and  
13 demonstrates the commitment of Congress, to an  
14 improved Department of Veterans Affairs health  
15 care system for the Nation's veterans and to ensur-  
16 ing access to such health care by veterans.

17 (7) The Department of Veterans Affairs is not  
18 sufficiently funded to enable the entirety of the vet-  
19 eran population of 25,500,000 veterans to gain ac-  
20 cess to health care furnished by the Department.

21 (8) The Department of Veterans Affairs re-  
22 ceives funding adequate to furnish health care only  
23 to those veterans who, in all likelihood, will be en-  
24 rolled for such health care annually, based only on  
25 eligibility rules contained in chapter 17 of title 38,

1 United States Code, and without regard to indi-  
2 vidual veterans who may have access to health care  
3 benefits through the medicare program or through  
4 other means.

5 **SEC. 3. ESTABLISHMENT OF MEDICARE SUBVENTION DEM-**  
6 **ONSTRATION PROJECT FOR VETERANS.**

7 Title XVIII of the Social Security Act (42 U.S.C.  
8 1395 et seq.) is amended by adding at the end the fol-  
9 lowing:

10 “MEDICARE SUBVENTION DEMONSTRATION PROJECT FOR  
11 VETERANS

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

13 “(1) ADMINISTERING SECRETARIES.—The term  
14 ‘administering Secretaries’ means the Secretary and  
15 the Secretary of Veterans Affairs acting jointly.

16 “(2) DEMONSTRATION PROJECT.—The term  
17 ‘demonstration project’ means the demonstration  
18 project carried out under this section.

19 “(3) DEMONSTRATION SITE.—

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

1 “(i) in the case of a coordinated care  
2 health plan, the health care benefits pre-  
3 scribed in subsection (c)(3) to targeted  
4 medicare-eligible veterans residing within  
5 the service area; and

6 “(ii) in the case of health care bene-  
7 fits being provided on a fee-for-service  
8 basis, the health care benefits prescribed in  
9 subsection (d)(2) to targeted medicare-eli-  
10 gible veterans.

11 “(B) EXCLUSION.—The term ‘demonstra-  
12 tion site’ shall not include the entire catchment  
13 area of a Veterans Integrated Services Network  
14 (VISN).

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

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

21 “(A) is a veteran (as defined in section  
22 101 of title 38, United States Code) who is eli-  
23 gible for care and services under paragraph (5),  
24 (6), or (7) of section 1705(a) of title 38, United  
25 States Code;

1           “(B) has attained age 65;

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

4           “(D) is enrolled for benefits under part B  
5 of this title.

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

11           “(7) VETERANS AFFAIRS MEDICAL FACILITY.—  
12 The term ‘Veterans Affairs medical facility’ means a  
13 medical facility as defined in section 8101 of title  
14 38, United States Code.

15           “(b) DEMONSTRATION PROJECT.—

16           “(1) IN GENERAL.—

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

1           “(B) AGREEMENT.—Any agreement en-  
2           tered into under this paragraph shall include at  
3           a minimum—

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

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

14                  “(iii) a description of how the dem-  
15                  onstration project will satisfy the require-  
16                  ments under this title;

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

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

1           “(vi) a statement that the Secretary  
2 shall have access to all data of the Depart-  
3 ment of Veterans Affairs that the Sec-  
4 retary determines is necessary to conduct  
5 independent estimates and audits of the  
6 maintenance of effort requirement under  
7 subsection (l), the annual reconciliation  
8 under subsection (m), and related matters  
9 required under the demonstration project;

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

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

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

1 “(I) resources and expertise to  
2 provide, consistent with payment re-  
3 quirements under subsection (k), the  
4 health care benefits required to be  
5 provided to beneficiaries under the  
6 demonstration project (as established  
7 under subsections (c)(3) and (d)(2));  
8 and

9 “(II) information and billing sys-  
10 tems in place to ensure—

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

15 “(bb) that providers of  
16 health care services that are not  
17 affiliated with the Department of  
18 Veterans Affairs are reimbursed  
19 by the Secretary of Veterans Af-  
20 fairs in a timely and accurate  
21 manner.

22 “(C) SEPARATE AGREEMENTS FOR CO-  
23 ORDINATED CARE AND FEE-FOR-SERVICE.—The  
24 administering Secretaries shall enter into sepa-  
25 rate agreements with regard to demonstration

1 sites operating under a coordinated care health  
2 plan model and a fee-for-service model, and  
3 shall include in each agreement only such infor-  
4 mation that is applicable to that model.

5 “(2) NUMBER OF DEMONSTRATION SITES.—

6 “(A) IN GENERAL.—Subject to the suc-  
7 ceeding provisions of this paragraph, the dem-  
8 onstration project established under this section  
9 shall be conducted in not more than 10 dem-  
10 onstration sites, designated jointly by the ad-  
11 ministering Secretaries.

12 “(B) EQUAL NUMBER OF COORDINATED  
13 CARE AND FEE-FOR-SERVICE SITES.—The ad-  
14 ministrating Secretaries shall—

15 “(i) ensure that the number of dem-  
16 onstration sites operated under a coordi-  
17 nated care health plan model equals the  
18 number of demonstration sites operated  
19 under a fee-for-service model; and

20 “(ii) attempt to ensure that the vol-  
21 ume of medicare health care services pro-  
22 vided under the demonstration project at  
23 demonstration sites operated under a co-  
24 ordinated care health plan model is the  
25 same as the volume of such services pro-

1           vided at demonstration sites operated  
2           under a fee-for-service model.

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

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

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

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

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

21           “(4) DURATION.—

22           “(A) COORDINATED CARE HEALTH PLAN  
23           MODEL.—The authority of the administering  
24           Secretaries to conduct the demonstration

1 project under a coordinated care health plan  
2 model shall—

3 “(i) begin on January 1, 2003; and

4 “(ii) terminate on the earlier of—

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

10 “(II) December 31, 2006.

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

15 “(i) begin on January 1, 2004; and

16 “(ii) terminate on the earlier of—

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

21 “(II) December 31, 2007.

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

23 “(1) IN GENERAL.—The Secretary of Veterans  
24 Affairs shall establish and operate coordinated care  
25 health plans in order to provide the health care ben-

1       efits prescribed in paragraph (3) to targeted medi-  
2       care-eligible veterans enrolled in the demonstration  
3       project consistent with part C of this title.

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

9               “(3) HEALTH CARE BENEFITS.—

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

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

22              “(4) MEDICARE REQUIREMENTS.—

23              “(A) IN GENERAL.—

24              “(i) REQUIREMENTS.—Except as pro-  
25       vided under clause (ii), a coordinated care

1 health plan operating under the dem-  
2 onstration project shall meet all require-  
3 ments applicable to a Medicare+Choice  
4 plan under part C of this title and regula-  
5 tions pertaining thereto, and any other re-  
6 quirements for receiving payments under  
7 this title, except that the prohibition of  
8 payments to Federal providers of services  
9 under sections 1814(c) and 1835(d), and  
10 paragraphs (2) and (3) of section 1862(a),  
11 shall not apply.

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

19 “(I) reflects the unique status of  
20 the Department of Veterans Affairs as  
21 an agency of the Federal Government;  
22 and

23 “(II) is necessary to carry out, or  
24 improve the efficiency of, the dem-  
25 onstration project.

1           “(B) BENEFICIARY PROTECTIONS AND  
2 OTHER MATTERS.—A coordinated care health  
3 plan shall comply with the requirements of part  
4 C of this title that relate to beneficiary protec-  
5 tions and other related matters, including such  
6 requirements relating to the following areas:

7                   “(i) Enrollment and disenrollment.

8                   “(ii) Nondiscrimination.

9                   “(iii) Information provided to bene-  
10 ficiaries.

11                   “(iv) Cost-sharing limitations.

12                   “(v) Appeal and grievance procedures.

13                   “(vi) Provider participation.

14                   “(vii) Access to services.

15                   “(viii) Quality assurance and external  
16 review.

17                   “(ix) Advance directives.

18                   “(x) Other areas of beneficiary protec-  
19 tions that the Secretary determines are ap-  
20 plicable to a coordinated health care plan  
21 operating under the demonstration project.

22           “(d) FEE-FOR-SERVICE MODEL.—

23                   “(1) IN GENERAL.—The Secretary of Veterans  
24 Affairs shall establish and operate a demonstration  
25 site in order to provide, on a fee-for-service basis,

1 the medicare health care services prescribed in para-  
2 graph (2) to targeted medicare-eligible veterans  
3 under the demonstration project in a manner con-  
4 sistent with this title.

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

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

17 “(4) MEDICARE REQUIREMENTS.—

18 “(A) IN GENERAL.—Except as provided  
19 under subparagraph (B), any entity or health  
20 care provider that provides medicare health care  
21 services under the demonstration project on a  
22 fee-for-service basis shall meet all of the re-  
23 quirements under this title, except that the pro-  
24 hibition of payments to Federal providers of  
25 services under sections 1814(c) and 1835(d),

1 and paragraphs (2) and (3) of section 1862(a),  
2 shall not apply.

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

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

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

14 “(5) VERIFICATION OF ELIGIBILITY.—

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

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

1 the procedures established under subparagraph  
2 (A).

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

19 “(1) the—

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

1           retary of Veterans Affairs has a contract or  
2           sharing agreement) on an inpatient and out-  
3           patient basis; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22       “(j) REPORT.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1           tion site) shall be equal to an amount deter-  
2           mined appropriate by the administering Secre-  
3           taries.

4           “(B) FEE-FOR-SERVICE MODEL.—Subject  
5           to subparagraphs (C) and (D), the total  
6           amount paid to the Department of Veterans Af-  
7           fairs under this subsection for health care bene-  
8           fits provided on a fee-for-service basis at a dem-  
9           onstration site for any of the 3 consecutive 12-  
10          month periods (the first of which begins on the  
11          date that benefits begin to be provided at any  
12          demonstration site using the fee-for-service  
13          model) shall be equal to an amount determined  
14          appropriate by the administering Secretaries.

15          “(C) NO PAYMENTS FOR BENEFITS PRO-  
16          VIDED AFTER TERMINATION DATE.—No  
17          amounts shall be paid to the Department of  
18          Veterans Affairs under this section for health  
19          care benefits provided under the demonstration  
20          project after the date that the project termi-  
21          nates pursuant to subparagraph (A)(ii) or  
22          (B)(ii) of subsection (b)(4).

23          “(D) CAP.—The sum of the amounts paid  
24          to the Department of Veterans Affairs under  
25          this section during each of the 12-month peri-

1           ods described in subparagraph (A) shall not ex-  
2           ceed \$50,000,000.

3           “(1) MAINTENANCE OF EFFORT.—

4           “(1) IN GENERAL.—The Secretary may not re-  
5           imburse the Secretary of Veterans Affairs, from the  
6           trust funds, for medicare health care services fur-  
7           nished under the demonstration project to targeted  
8           medicare-eligible veterans at a demonstration site in  
9           a year until the expenditures during that year by the  
10          Department of Veterans Affairs for such services  
11          provided at that site to individuals that meet the  
12          definition of a targeted medicare-eligible veteran  
13          under subsection (a)(4) (without regard to subpara-  
14          graph (D) of such subsection) exceeds such expendi-  
15          tures at the site for such services provided to such  
16          individuals during a baseline period determined by  
17          the administering Secretaries.

18          “(2) RULE OF CONSTRUCTION.—The criteria  
19          for eligibility for health care benefits furnished to  
20          veterans by the Secretary of Veterans Affairs is es-  
21          tablished under chapter 17 of title 38, United States  
22          Code, and nothing in this section shall be construed  
23          to add additional criteria for such eligibility.

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

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

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

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

16           “(i) COORDINATED CARE HEALTH  
17 PLAN MODEL.—Not later than 6 months  
18 after the end of each of the 3 consecutive  
19 12-month periods referred to in subsection  
20 (j)(4)(A), the Comptroller General of the  
21 United States shall submit to the admin-  
22 istering Secretaries and the appropriate  
23 committees of Congress a report on the ex-  
24 tent, if any, to which the costs of the Sec-  
25 retary under the medicare program under

1           this title for each demonstration site oper-  
2           ating under such a model increased as a  
3           result of the demonstration project during  
4           the 12-month period to which the report  
5           applies.

6           “(ii) FEE-FOR-SERVICE MODEL.—Not  
7           later than 6 months after the end of each  
8           of the 3 consecutive 12-month periods re-  
9           ferred to in subsection (j)(4)(B), the  
10          Comptroller General of the United States  
11          shall submit to the administering Secre-  
12          taries and the appropriate committees of  
13          jurisdiction of Congress a report described  
14          in clause (i) with respect to such a model.

15          “(2) REQUIRED RESPONSE IN CASE OF IN-  
16          CREASE IN COSTS.—

17          “(A) IN GENERAL.—If the administering  
18          Secretaries find, based on paragraph (1), that  
19          the expenditures under the medicare program  
20          under this title for each demonstration site in-  
21          creased (or are expected to increase) during a  
22          fiscal year because of the demonstration  
23          project, the administering Secretaries shall take  
24          such steps as may be needed—

1           “(i) to recoup for the medicare pro-  
2           gram the amount of such increase in ex-  
3           penditures; and

4           “(ii) to prevent any such increase in  
5           any succeeding fiscal year.

6           “(B) STEPS.—Such steps—

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

14          “(ii) under subparagraph (A)(ii), shall  
15          include suspending or terminating the  
16          demonstration project (in whole or in part)  
17          or reducing the amount of payment under  
18          subsection (k).

19          “(n) EVALUATION AND REPORTS.—

20                  “(1) INDEPENDENT EVALUATION.—

21                          “(A) IN GENERAL.—The Comptroller Gen-  
22                          eral of the United States shall conduct an eval-  
23                          uation of the demonstration project,  
24                          including—

1           “(i) an evaluation of demonstration  
2 sites operating under a coordinated care  
3 health plan model and under a fee-for-serv-  
4 ice model; and

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

7           “(B) CONTENTS.—Any evaluation con-  
8 ducted under subparagraph (A) shall include an  
9 assessment, based on the agreement entered  
10 into under subsection (b), of the following:

11           “(i) Any savings or costs to the medi-  
12 care program under this title resulting  
13 from the demonstration project.

14           “(ii) Compliance of participating dem-  
15 onstration sites with applicable measures  
16 of quality of care, compared to such com-  
17 pliance by other entities that participate in  
18 the medicare program and are not Vet-  
19 erans Affairs medical facilities.

20           “(iii) Compliance by the Department  
21 of Veterans Affairs with the requirements  
22 under this title.

23           “(iv) The number of targeted medi-  
24 care-eligible veterans opting to receive  
25 health care benefits under the demonstra-

1           tion project instead of receiving such bene-  
2           fits through another health insurance plan  
3           (including health care benefits under this  
4           title).

5           “(v) A comparison of the costs of par-  
6           ticipation of the demonstration sites in the  
7           program with the reimbursements for  
8           health care services provided by such sites.

9           “(vi) Any impact the demonstration  
10          project has on the access to health care  
11          services, or the quality of such services,  
12          for—

13                 “(I) targeted medicare-eligible  
14                 veterans receiving health care benefits  
15                 under the demonstration project; and

16                 “(II) veterans (including targeted  
17                 medicare-eligible veterans) that are  
18                 not receiving health care benefits  
19                 under the demonstration project.

20           “(vii) Any impact the demonstration  
21          project has on private health care providers  
22          and on beneficiaries under this title that  
23          are not receiving health care benefits under  
24          the demonstration project.

1           “(viii) Any effect that the demonstra-  
2           tion project has on the enrollment in  
3           Medicare+Choice plans offered by  
4           Medicare+Choice organizations under part  
5           C of this title in the established dem-  
6           onstration site areas.

7           “(ix) Any impact that the exclusion of  
8           the amounts described in subsection (k)(2)  
9           from the reimbursement amounts under  
10          the demonstration has on the Department  
11          of Veterans Affairs or on targeted medi-  
12          care-eligible veterans.

13          “(x) A description of the difficulties  
14          (if any) experienced by—

15                 “(I) the Department of Veterans  
16                 Affairs in managing the demonstra-  
17                 tion project; or

18                 “(II) the Department of Health  
19                 and Human Services in overseeing the  
20                 demonstration project.

21          “(xi) Any additional elements speci-  
22          fied in the agreement entered into under  
23          subsection (b).

24          “(xii) Any additional elements that  
25          the Comptroller General of the United

1 States determines are appropriate to as-  
2 sess regarding the demonstration project.

3 “(C) PERIODIC REPORTS.—

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

14 “(I) INITIAL REPORT.—An initial  
15 report shall be submitted not later  
16 than 12 months after the date that  
17 enrollment in a coordinated care  
18 health plan begins at any demonstra-  
19 tion site.

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

23 “(III) FINAL REPORT.—A final  
24 report shall be submitted not later  
25 than 42 months after such date.

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

10                   “(I) INITIAL REPORT.—An initial  
11                   report shall be submitted not later  
12                   than 12 months after the date that  
13                   medicare health care services begin to  
14                   be provided at any demonstration site  
15                   using such a model.

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

19                   “(III) FINAL REPORT.—A final  
20                   report shall be submitted not later  
21                   than 42 months after such date.

22                   “(2) REPORTS ON EXTENSION AND EXPANSION  
23                   OF THE DEMONSTRATION PROJECT.—

24                   “(A) COORDINATED CARE HEALTH PLAN  
25                   MODEL.—With respect to the demonstration

1 project that is operating under a coordinated  
2 care health plan model, not later than 3 months  
3 after the date of the submission of the final re-  
4 port by the Comptroller General of the United  
5 States under paragraph (1)(C)(i)(III), the ad-  
6 ministering Secretaries shall submit to the com-  
7 mittees of jurisdiction of Congress a report con-  
8 taining the final recommendations of such Sec-  
9 retaries as to—

10 “(i) whether expenditures for targeted  
11 medicare-eligible veterans under the dem-  
12 onstration project exceed the expenditures  
13 that would have been incurred under the  
14 medicare program under this title with re-  
15 gard to such veterans had this section not  
16 been enacted;

17 “(ii) whether the demonstration  
18 project could be expanded or extended  
19 without increasing the cost to the medicare  
20 program under this title or to the Federal  
21 Government;

22 “(iii) whether to extend the duration  
23 of the demonstration project;

1           “(iv) whether to increase the number  
2           of demonstration sites operating under  
3           such a model;

4           “(v) whether to increase the maximum  
5           amount of reimbursement under the dem-  
6           onstration project in any year; and

7           “(vi) whether the terms and condi-  
8           tions of the demonstration project should  
9           be altered if the project is extended or ex-  
10          panded.

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

○