119TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
119–348

FORCING REAL ACCOUNTABILITY FOR UNLAWFUL DISTRIBUTIONS ACT OF 2025

OCTOBER 21, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BOST, from the Committee on Veterans' Affairs, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 3483]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 3483) to amend title 38, to direct the Secretary of Veterans Affairs to use an information technology system to detect fraud, waste, and abuse regarding claims for payment submitted to the Secretary under the Veterans Community Care Program, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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69–006

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Forcing Real Accountability for Unlawful Distributions Act of 2025" or the "FRAUD Act of 2025".

SEC. 2. DETECTION OF FRAUD, WASTE, AND ABUSE IN PROGRAMS OF THE VETERANS HEALTH ADMINISTRATION.

(a) IN GENERAL.—Subchapter I of chapter 17 of title 38, United States Code, is amended by inserting after section 1706A the following new section (and amending the table of sections at the beginning of such chapter accordingly):

"§ 1706B. Management of health care: detection of fraud, waste, and abuse

"(a) IN GENERAL.—To detect fraud, waste, and abuse in programs of the Veterans Health Administration, the Secretary shall use processes and systems, including the information technology system described in subsection (b), to—

"(1) analyze a claim submitted to the Secretary by a health care entity or provider that furnishes hospital care, medical services, or extended care services under this chapter; and

"(2) reanalyze a claim, described in paragraph (1) that the Secretary determines may be fraudulent, after paying such claim.

"(b) INFORMATION TECHNOLOGY SYSTEM.—The information technology system described in this subsection shall include the following functions:

"(1) Continuous monitoring of claims to detect patterns that may indicate fraud, waste, or abuse.

"(2) Analysis of historical and real-time claims data to identify and predict potential fraudulent claims.

"(3) Ready-made analytic models to identify and analyze fraudulent claims.

"(4) Post-payment analysis for overuse of services or other practices that create unnecessary costs to the Department.

"(5) Integration with existing claims processing systems and technologies of the Department.

"(6) Logging, storage, analysis, and reports regarding the nature, frequency, and financial impact of detected fraudulent claims.

"(7) Identification of, and machine learning that is based on, patterns of fraudulent claims in order to reduce false positives and predict new forms of fraud.

"(8) Updates to detect new models of fraud, waste and abuse.

"(9) Any other function determined necessary by the Secretary.

"(c) USE OF FRANCHISE FUND.—To carry out this section, the Secretary shall use funds from the Department of Veterans Affairs franchise fund established under title I of Public Law 104–204 (38 U.S.C. 301 note).

"(d) REPORT.—Not later than two years after the date of the enactment of the FRAUD Act of 2025, and annually thereafter for five additional years, the Secretary shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report regarding the operation of the processes and systems under subsection (a) during the preceding year. Each such report shall include the determination of the Secretary regarding the following elements:

"(1) The effectiveness of such processes and systems in detecting fraud, waste, and abuse described in subsection (a).

"(2) The estimated savings to the Department arising from the use of such processes and systems.

"(3) Any plans to enhance, modify, or add new capabilities to such processes and systems.".

(b) IMPLEMENTATION DATE.—The Secretary of Veterans Affairs shall carry out section 1706B of such title, as added by subsection (a), not later than one year after the date of the enactment of this Act.

SEC. 3. EXTENSION OF CERTAIN LIMITS ON PAYMENT OF PENSION.

Section 5503(d)(7) of title 38, United States Code, is amended by striking "November 30, 2031" and inserting "January 30, 2034".

PURPOSE AND SUMMARY

H.R. 3483, the "Forcing Real Accountability for Unlawful Distributions (FRAUD) Act of 2025," was introduced by Representative Tom Barrett of Michigan on May 19, 2025. The bill, as amended, would require the Secretary of the Department of Veterans Affairs (VA) to implement an information technology system to detect and prevent fraud, waste, and abuse in health care claims submitted to VA. The bill would aim to leverage emerging technology to safeguard taxpayer dollars by ensuring VA pays only accurate and valid health care claims submitted to the VA from health care entities or providers. To cover the cost, the bill includes an offset that would extend the current limit on pension payments for veterans and survivors living in Medicaid-covered nursing homes by one year, moving the end date from November 30, 2031, to October 31, 2034.

BACKGROUND AND NEED FOR LEGISLATION

Section 1: Short Title

This section establishes the short title as the "Forcing Real Accountability for Unlawful Distributions Act of 2025" or the "FRAUD Act of 2025."

Section 2: Detection of Fraud, Waste and Abuse in Programs of the Veterans Health Administration

VA has long faced challenges in preventing fraud, waste, and abuse in its health care claims systems. In FY 2024, VA Office of Inspector General (OIG) reported approximately $2.2 billion in combined improper and unknown payments, about half of which represented direct financial losses.[1] While not every improper payment is fraudulent, the absence of effective detection tools leaves taxpayer resources vulnerable. For years, VA relied on the Program Integrity Tool (PIT) to monitor community care claims, but PIT's fraud detection functions were taken offline in February 2023 and remain nonfunctional. Since then, despite repeated Committee inquiries, VA has been unable to provide data on fraud, waste, and abuse monitoring. Meanwhile, VA continues to process millions of claims annually without a working tool to flag abusive billing practices.

Recognizing this gap, VA issued a request for information on January 14, 2025, for fraud detection software capable of predictive analytics, anomaly detection, and real-time dashboards. In testimony before the Committee, VA officials emphasized the importance of broader authority to allow both pre-payment and post-payment analysis across all claims systems.

The Committee believes that this section of the bill directly responds to that need. The section would authorize VA to acquire and implement modern fraud detection technology across all health programs, not just community care. The section would also require VA to use its Franchise Fund to support the system and mandate reporting to Congress on effectiveness and cost savings within two

[1] *See* Department of Veterans Affairs Office of Inspector General. (2024). "A Review of VA's compliance with the Payment Integrity Information Act for fiscal year 2024" (Report No. 24–00849–167). https://www.vaoig.gov/reports/review/review-vas-compliance-payment-integrity-information-act-fiscal-year-2024.

years of enactment, with annual updates for five years. To ensure accountability, the section includes a sunset after seven years. The Committee affirms the urgent need to strengthen oversight, reduce waste, and protect the integrity of VA's financial operations.

Section 3: Extension of Certain Limits on Payments of Pension

Under current law (38 U.S.C. § 5503(d)), the amount of VA pension paid to a veteran with no spouse or child, a veteran's surviving spouse with no child, or a veteran's child who is admitted to a VA or Medicaid sponsored nursing facility is capped at $90 a month. This section would cover the costs of the other sections of this bill by extending this pension limitation from November 30, 2031, to October 31, 2034. Because they receive government sponsored care in a nursing home, these pension beneficiaries do not require the full amount of pension to cover their cost of living. The Committee believes this short-term extension of the current limit on pension payments is a reasonable way to cover the costs associated with the other sections of this bill.

HEARINGS

On June 11, 2025, the Committee on Veterans' Affairs Subcommittee on Oversight & Investigations held a legislative hearing on H.R. 3483 and other bills that were pending before the subcommittee.

The following witnesses testified:

Ms. Cherri Waters, Acting Deputy Chief Information Officer; Executive Director, Health Portfolio, Product Delivery Services, Office of Information and Technology, U.S. Department of Veterans Affairs; Ms. Laura Duke, Chief Financial Officer, Veterans Health Administration, U.S. Department of Veterans Affairs; Dr. Toni Phillips, Chief Nurse Informatics Officer, Electronic Health Record, Management Information Office, U.S. Department of Veterans Affairs; Dr. Jennifer McDonald, Director, Community Care Division, Office of Audits and Evaluations, Office of the Inspector General, U.S. Department of Veterans Affairs; Dr. Edward O'Bryan, MD, MBA, CPE, Chief, Veterans and Corrections ICCE, Associate Professor of Medicine, Medical University of South Carolina; Mr. Cole T. Lyle, Director of the Veterans Affairs & Rehabilitation (VA&R) Division, The American Legion; Mr. Cody Carbone, Chief Executive Officer, The Digital Chamber.

SUBCOMMITTEE CONSIDERATION

On July 23rd, the Subcommittee on Oversight and Investigations was discharged from further consideration of H.R. 3483.

COMMITTEE CONSIDERATION

On July 23, 2025, the Full Committee met in open markup session, a quorum being present, to consider H.R. 3483. During consideration of the bill, the following amendments were considered:

An amendment in the nature of a substitute to H.R. 3483 was offered by Representative Tom Barrett to fully offset the cost of the bill, make technical corrections to the base text, and expand the purpose of the information technology system to de-

tect fraud, waste, and abuse in all VHA programs. The amendment was approved by a recorded vote of 12 ayes, 11 nays.

An amendment to an amendment in the nature of a substitute to H.R. 3483 was offered by Ranking Member Takano of California that removed the requirement that VA use funds from its Franchise Fund to carry out the requirements of the bill. Committee Republicans opposed the amendment, noting that the Franchise Fund is an established revolving fund already used to support VA IT modernization. The amendment failed by recorded vote of 11 ayes, 12 nays.

A motion by Representative Jack Bergman to report H.R. 3483, as amended, favorably to the House of Representatives was agreed to by a recorded vote, 12 ayes, 11 nays.

COMMITTEE VOTES

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, three recorded votes were taken on amendments or in connection with ordering H.R. 3483, as amended, reported to the House.

An amendment to the amendment in the nature of a substitute to H.R. 3483 offered by Mr. Tanko was not agreed to by a recorded vote of 11 ayes, 12 noes. The names of Members voting for and against follow:

ONE HUNDRED AND NINETEENTH CONGRESS **MARKUP**
U.S. STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS
MIKE BOST, CHAIRMAN

FULL COMMITTEE ROLL CALL VOTES

Date: **Wednesday, July 23, 2025**
Subject: **Approval of Takano Amendment #1 to the Amendment in the Nature of a Substitute**

NAME	YEA/AYE	NAY/NO	Present
Mike Bost		X	
Aumua Amata Coleman Radewagen		X	
Jack Bergman		X	
Nancy Mace		X	
Mariannette Miller-Meeks		X	
Gregory F. Murphy		X	
Derrick Van Orden			
Morgan Luttrell		X	
Juan Ciscomani			
Keith Self		X	
Jennifer A. Kiggans		X	
Abraham J. Hamadeh		X	
Kimberlyn King-Hinds		X	
Tom Barrett		X	
Mark Takano	X		
Julia Brownley	X		
Chris Pappas	X		
Sheila Cherfilus-McCormick	X		
Morgan McGarvey	X		
Delia C. Ramirez	X		
Nikki Budzinski	X		
Timothy M. Kennedy	X		
Maxine Dexter	X		
Herbert C. Conaway, Jr.	X		
Kelly Morrison	X		
Total	**11**	**12**	

An amendment in the nature of a substitute to H.R. 3483 offered by Mr. Barrett was agreed to by a recorded vote of 12 ayes, 11 noes. The names of Members voting for and against follow:

ONE HUNDRED AND NINETEENTH CONGRESS **MARKUP**
U.S. STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS
MIKE BOST, CHAIRMAN

FULL COMMITTEE ROLL CALL VOTES

Date: **Wednesday, July 23, 2025**
Subject: **Approval of Barrett Amendment in the Nature of a Substitute**

NAME	YEA/AYE	NAY/NO	Present
Mike Bost	X		
Aumua Amata Coleman Radewagen	X		
Jack Bergman	X		
Nancy Mace	X		
Mariannette Miller-Meeks	X		
Gregory F. Murphy	X		
Derrick Van Orden			
Morgan Luttrell	X		
Juan Ciscomani			
Keith Self	X		
Jennifer A. Kiggans	X		
Abraham J. Hamadeh	X		
Kimberlyn King-Hinds	X		
Tom Barrett	X		
Mark Takano		X	
Julia Brownley		X	
Chris Pappas		X	
Sheila Cherfilus-McCormick		X	
Morgan McGarvey		X	
Delia C. Ramirez		X	
Nikki Budzinski		X	
Timothy M. Kennedy		X	
Maxine Dexter		X	
Herbert C. Conaway, Jr.		X	
Kelly Morrison		X	
Total	**12**	**11**	

A Motion to Favorably Report H.R. 3483, as amended to the Full House, offered by Mr. Bergman was agreed to by a recorded vote of 12 ayes, 11 noes. The names of Members voting for and against follow:

ONE HUNDRED AND NINETEENTH CONGRESS **MARKUP**
U.S. STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS
MIKE BOST, CHAIRMAN

FULL COMMITTEE ROLL CALL VOTES

Date: **Wednesday, July 23, 2025**
Subject: **Motion to Favorably Report H.R. 3483, as amended to the Full House**

NAME	YEA/AYE	NAY/NO	Present
Mike Bost	X		
Aumua Amata Coleman Radewagen	X		
Jack Bergman	X		
Nancy Mace	X		
Mariannette Miller-Meeks	X		
Gregory F. Murphy	X		
Derrick Van Orden			
Morgan Luttrell	X		
Juan Ciscomani			
Keith Self	X		
Jennifer A. Kiggans	X		
Abraham J. Hamadeh	X		
Kimberlyn King-Hinds	X		
Tom Barrett	X		
Mark Takano		X	
Julia Brownley		X	
Chris Pappas		X	
Sheila Cherfilus-McCormick		X	
Morgan McGarvey		X	
Delia C. Ramirez		X	
Nikki Budzinski		X	
Timothy M. Kennedy		X	
Maxine Dexter		X	
Herbert C. Conaway, Jr.		X	
Kelly Morrison		X	
Total	**12**	**11**	

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives of H.R. 3483, as amended, are to allow VA to implement an information technology system using funds from VA's Franchise Fund to improve the Department's ability to detect fraud, waste and abuse regarding certain health care claims submitted to VA for payment.

EARMARKS AND TAX AND TARIFF BENEFITS

H.R. 3483, as amended, does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI of the Rules of the House of Representatives.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate on H.R. 3483, as amended, prepared by the Director of the Congressional Budget Office.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate for H.R. 3483, as amended, provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

At a Glance

H.R. 3483, Forcing Real Accountability for Unlawful Distributions Act of 2025

As ordered reported by the House Committee on Veterans' Affairs on July 23, 2025

By Fiscal Year, Millions of Dollars	2025	2025-2030	2025-2035
Direct Spending (Outlays)	0	24	-77
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	24	-77
Spending Subject to Appropriation (Outlays)	0	101	111

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2036?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2036?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would:

- Require the Department of Veterans Affairs (VA) to develop an information technology (IT) system to detect fraudulent claims for medical services that are submitted to the agency
- Require VA to report to the Congress on the IT system's effectiveness
- Extend the reduction of pensions that VA pays to veterans and survivors residing in Medicaid nursing homes

Estimated budgetary effects would mainly stem from:

- Implementing the new IT system to detect fraudulent claims
- Reducing VA pension payments

Bill summary: H.R. 3483 would require the Department of Veterans Affairs (VA) to develop an information technology system (IT) for the purpose of detecting fraudulent claims for health care services and report to the Congress on that system's effectiveness. The bill also would extend the reduction of pension payments for veterans and survivors who reside in Medicaid nursing homes.

Estimated Federal cost: The estimated budgetary effects of H.R. 3483 are shown in Table 1. The costs of the legislation fall within budget functions 550 (health) and 700 (veterans benefits and services).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 3483

	By fiscal year, millions of dollars—												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025–2030	2025–2035
INCREASES OR DECREASES (−) IN DIRECT SPENDING													
Estimated Budget Authority	0	23	*	1	*	1	*	−39	−48	−15	1	25	−76
Estimated Outlays	0	6	14	3	1	*	*	−39	−48	−15	1	24	−77
INCREASES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization	0	98	1	1	2	2	2	2	2	2	2	104	114
Estimated Outlays	0	26	58	12	3	2	2	2	2	2	2	101	111

* = between zero and $500,000.

Basis of estimate: For this estimate, CBO assumes H.R. 3483 will be enacted near the start of fiscal year 2026 and that outlays will follow historical spending patterns for affected programs.

Provisions that affect spending subject to appropriation and direct spending: Section 2 of the bill would require VA to develop an IT system that would detect fraudulent claims for medical services that are submitted to the department. The system would be required to perform several functions, including analyzing claims for indications of fraud or over-use of services and estimating the cost of fraudulent claims. The bill also would require VA to periodically report on the effectiveness of the system and estimates of the savings realized from detecting fraudulent claims.

Using information on the cost of developing and maintaining similar systems at other federal agencies, CBO estimates the new IT system to detect fraud would cost $128 million. CBO further estimates that VA would require five full-time equivalent employees to maintain the system and satisfy the reporting requirements. Salaries and benefits for each of those employees would average about $210,000 per year. In total, implementing the required fraud detec-

tion IT system would cost $138 million over the 2025–2035 period, CBO estimates.

CBO expects that some of the costs of implementing the bill would be paid from the Toxic Exposures Fund (TEF) established by Public Law 117–168, the Honoring our PACT Act. The TEF is a mandatory appropriation that VA uses to pay for health care, disability claims processing, medical research, and IT modernization that benefit veterans who were exposed to environmental hazards. Additional spending from the TEF would occur if legislation increases the costs of similar activities that benefit veterans with such exposure. Thus, in addition to increasing spending subject to appropriation, enacting section 2 would increase amounts paid from the TEF, which are classified as direct spending.

CBO projects that the proportion of costs paid by the TEF will grow over time based on the amount of formerly discretionary appropriations that CBO expects will be provided through the mandatory appropriation as specified in the Honoring our PACT Act.[1] CBO estimates that over the 2025–2035 period, implementing section 2 would increase spending subject to appropriation by $111 million and direct spending by $27 million.

Direct Spending: In addition to $27 million in IT-related expenses that would be covered by the TEF, the bill would affect direct spending by reducing pension payments to veterans and survivors who reside in Medicaid nursing homes. Those net reductions, discussed below, would amount to $104 million. In total, the bill would reduce net direct spending by $77 million over the 2025–2035 period.

Under current law, VA reduces pension payments to veterans and survivors who reside in Medicaid nursing homes to $90 per month. That required reduction expires November 30, 2031. Section 3 would extend that reduction for nearly 26 months, through January 30, 2034. CBO estimates that extending that requirement would reduce VA benefits by $10 million per month. (Those benefits are paid from mandatory appropriations and are therefore considered direct spending.) As a result of that reduction in beneficiaries' income, Medicaid would pay more of the cost of their care, increasing spending for that program by $6 million per month. Thus, enacting section 3 would reduce net direct spending by $104 million over the 2025–2035 period.

TABLE 2.—ESTIMATED INCREASES IN DIRECT SPENDING UNDER H.R. 3483

	By fiscal year, millions of dollars—												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025–2030	2025–2035
Pensions and Medicaid:													
Estimated Budget Authority	0	0	0	0	0	0	0	−40	−48	−16	0	0	−104
Estimated Outlays	0	0	0	0	0	0	0	−40	−48	−16	0	0	−104
Information Technology Improvements:													
Estimated Budget Authority	0	23	*	1	*	1	*	1	*	1	1	25	28
Estimated Outlays	0	6	14	3	1	*	*	1	*	1	1	24	27

[1] For additional information about estimated spending from the TEF, see Congressional Budget Office, "Toxic Exposures Fund—January 2025 Baseline" (January 2025), https://tinyurl.com/3xjr6d3h.

TABLE 2.—ESTIMATED INCREASES IN DIRECT SPENDING UNDER H.R. 3483—Continued

	By fiscal year, millions of dollars—												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025–2030	2025–2035
Total Changes:													
Estimated Budget Authority	0	23	*	1	*	1	*	−39	−48	−15	1	25	−76
Estimated Outlays	0	6	14	3	1	*	*	−39	−48	−15	1	24	−77

* = between zero and $500,000.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in long-term net direct spending and deficits: CBO estimates that enacting H.R. 3483 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2036.

CBO estimates that enacting H.R. 3483 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2036.

Mandates: The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Estimate prepared by: Federal costs: Logan Smith; Mandates: Brandon Lever.

Estimate reviewed by: David Newman, Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimates Unit; Kathleen FitzGerald, Chief, Public and Private Mandates Unit; Christina Hawley Anthony, Deputy Director of Budget Analysis.

Estimate approved by: Phillip L. Swagel, Director, Congressional Budget Office.

FEDERAL MANDATES STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandate Reform Act, P.L. 104–4 is inapplicable to H.R. 3483 as amended.

ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act would be created by H.R. 3483, as amended.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that H.R. 3483, as amended, does not relate to the terms and conditions of employment or access to public services or accommodation within the meaning of section 102(b)(3) of the Congressional Accountability Act.

STATEMENT ON DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee finds that no provision of H.R. 3483, as amended, would establish or reauthorize a program of the Federal Government known to be duplicative of another Federal

program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section would establish the short title of the bill as the "Forcing Real Accountability for Unlawful Distributions Act of 2025," or the "FRAUD Act of 2025."

Section 2. Detection of fraud, waste, and abuse in programs of the Veterans Health Administration

This section would amend title 38, United States Code, by adding a new section 1706B that would require the Secretary of VA to use an information technology system to detect fraud, waste, and abuse in claims submitted by health care entities and providers furnishing hospital, medical, or extended care services. The system would also be capable of reanalyzing claims that may be fraudulent after they have been paid.

This section would define the required capabilities of the information technology system. These functions would include continuous monitoring of claims; predictive analytics using historical real-time data; ready-made fraud detection models; post-payment review for overutilization; integration with existing VA claims processing systems; logging and reporting of suspicious activity; machine learning to reduce false positives, and updates to detect emerging fraud schemes. The Secretary would be authorized to include any additional functions deemed necessary.

This section would also require the Secretary to use funds from the VA Franchise Fund (established under Public Law 104–204) to implement and operate the fraud detection system.

Additionally, this section would require the Secretary to submit a report to the Committees on Veterans' Affairs of the Senate and the House of Representatives beginning two years after enactment, and annually thereafter for five years. Each report would be required to include information on the effectiveness of the detection systems, the estimated savings to the Department, and any plans to improve or expand the system.

The authority to carry out this section would cease seven years after the date of enactment.

Section 3. Extension of certain limits on payment of pension

This section would extend the existing limitation on VA pension payments to institutionalized veterans without dependents from November 30, 2031, to October 31, 2034.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * * * *

PART II—GENERAL BENEFITS

* * * * * * *

CHAPTER 17—HOSPITAL, NURSING HOME, DOMICILIARY, AND MEDICAL CARE

SUBCHAPTER I—GENERAL

Sec.

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1706B. Management of health care: detection of fraud, waste, and abuse.

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SUBCHAPTER I—GENERAL

* * * * * * *

§ 1706B. Management of health care: detection of fraud, waste, and abuse

(a) IN GENERAL.—To detect fraud, waste, and abuse in programs of the Veterans Health Administration, the Secretary shall use processes and systems, including the information technology system described in subsection (b), to—

(1) analyze a claim submitted to the Secretary by a health care entity or provider that furnishes hospital care, medical services, or extended care services under this chapter; and

(2) reanalyze a claim, described in paragraph (1) that the Secretary determines may be fraudulent, after paying such claim.

(b) INFORMATION TECHNOLOGY SYSTEM.—The information technology system described in this subsection shall include the following functions:

(1) Continuous monitoring of claims to detect patterns that may indicate fraud, waste, or abuse.

(2) Analysis of historical and real-time claims data to identify and predict potential fraudulent claims.

(3) Ready-made analytic models to identify and analyze fraudulent claims.

(4) Post-payment analysis for overuse of services or other practices that create unnecessary costs to the Department.

(5) Integration with existing claims processing systems and technologies of the Department.

(6) Logging, storage, analysis, and reports regarding the nature, frequency, and financial impact of detected fraudulent claims.

(7) Identification of, and machine learning that is based on, patterns of fraudulent claims in order to reduce false positives and predict new forms of fraud.

(8) Updates to detect new models of fraud, waste and abuse.

(9) Any other function determined necessary by the Secretary.

(c) USE OF FRANCHISE FUND.—To carry out this section, the Secretary shall use funds from the Department of Veterans Affairs franchise fund established under title I of Public Law 104–204 (38 U.S.C. 301 note).

(d) REPORT.—Not later than two years after the date of the enactment of the FRAUD Act of 2025, and annually thereafter for five additional years, the Secretary shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report regarding the operation of the processes and systems under subsection (a) during the preceding year. Each such report shall include the determination of the Secretary regarding the following elements:

(1) The effectiveness of such processes and systems in detecting fraud, waste, and abuse described in subsection (a).

(2) The estimated savings to the Department arising from the use of such processes and systems.

(3) Any plans to enhance, modify, or add new capabilities to such processes and systems.

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PART IV—GENERAL ADMINISTRATIVE PROVISIONS

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CHAPTER 55—MINORS, INCOMPETENTS, AND OTHER WARDS

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§ 5503. Hospitalized veterans and estates of incompetent institutionalized veterans

(a)(1)(A) Where any veteran having neither spouse nor child is being furnished domiciliary care by the Department, no pension in excess of $90 per month shall be paid to or for the veteran for any period after the end of the third full calendar month following the month of admission for such care.

(B) Except as provided in subparagraph (D) of this paragraph, where any veteran having neither spouse nor child is being furnished nursing home care by the Department, no pension in excess of $90 per month shall be paid to or for the veteran for any period after the end of the third full calendar month following the month of admission for such care. Any amount in excess of $90 per month to which the veteran would be entitled but for the application of the preceding sentence shall be deposited in a revolving fund at the Department medical facility which furnished the veteran nursing care, and such amount shall be available for obligation without fis-

cal year limitation to help defray operating expenses of that facility.

(C) No pension in excess of $90 per month shall be paid to or for a veteran having neither spouse nor child for any period after the month in which such veteran is readmitted for care described in subparagraph (A) or (B) of this paragraph and furnished by the Department if such veteran is readmitted within six months of a period of care in connection with which pension was reduced pursuant to subparagraph (A) or (B) of this paragraph.

(D) In the case of a veteran being furnished nursing home care by the Department and with respect to whom subparagraph (B) of this paragraph requires a reduction in pension, such reduction shall not be made for a period of up to three additional calendar months after the last day of the third month referred to in such subparagraph if the Secretary determines that the primary purpose for the furnishing of such care during such additional period is for the Department to provide such veteran with a prescribed program of rehabilitation services, under chapter 17 of this title, designed to restore such veteran's ability to function within such veteran's family and community. If the Secretary determines that it is necessary, after such period, for the veteran to continue such program of rehabilitation services in order to achieve the purposes of such program and that the primary purpose of furnishing nursing home care to the veteran continues to be the provision of such program to the veteran, the reduction in pension required by subparagraph (B) of this paragraph shall not be made for the number of calendar months that the Secretary determines is necessary for the veteran to achieve the purposes of such program.

(2) The provisions of paragraph (1) shall also apply to a veteran being furnished such care who has a spouse but whose pension is payable under section 1521(b) of this title. In such a case, the Secretary may apportion and pay to the spouse, upon an affirmative showing of hardship, all or any part of the amounts in excess of the amount payable to the veteran while being furnished such care which would be payable to the veteran if pension were payable under section 1521(c) of this title.

(b) Notwithstanding any other provision of this section or any other provision of law, no reduction shall be made in the pension of any veteran for any part of the period during which the veteran is furnished hospital treatment, or institutional or domiciliary care, for Hansen's disease, by the United States or any political subdivision thereof.

(c) Where any veteran in receipt of an aid and attendance allowance described in subsection (r) or (t) of section 1114 of this title is hospitalized at Government expense, such allowance shall be discontinued from the first day of the second calendar month which begins after the date of the veteran's admission for such hospitalization for so long as such hospitalization continues. Any discontinuance required by administrative regulation, during hospitalization of a veteran by the Department, of increased pension based on need of regular aid and attendance or additional compensation based on need of regular aid and attendance as described in subsection (*l*) or (m) of section 1114 of this title, shall not be effective earlier than the first day of the second calendar month which begins after the date of the veteran's admission for hos-

pitalization. In case a veteran affected by this subsection leaves a hospital against medical advice and is thereafter admitted to hospitalization within six months from the date of such departure, such allowance, increased pension, or additional compensation, as the case may be, shall be discontinued from the date of such readmission for so long as such hospitalization continues.

(d)(1) For the purposes of this subsection—

(A) the term "Medicaid plan" means a State plan for medical assistance referred to in section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)); and

(B) the term "nursing facility" means a nursing facility described in section 1919 of such Act (42 U.S.C. 1396r), other than a facility that is a State home with respect to which the Secretary makes per diem payments for nursing home care pursuant to section 1741(a) of this title.

(2) If a veteran having neither spouse nor child is covered by a Medicaid plan for services furnished such veteran by a nursing facility, no pension in excess of $90 per month shall be paid to or for the veteran for any period after the month of admission to such nursing facility.

(3) Notwithstanding any provision of title XIX of the Social Security Act, the amount of the payment paid a nursing facility pursuant to a Medicaid plan for services furnished a veteran may not be reduced by any amount of pension permitted to be paid such veteran under paragraph (2) of this subsection.

(4) A veteran is not liable to the United States for any payment of pension in excess of the amount permitted under this subsection that is paid to or for the veteran by reason of the inability or failure of the Secretary to reduce the veteran's pension under this subsection unless such inability or failure is the result of a willful concealment by the veteran of information necessary to make a reduction in pension under this subsection.

(5)(A) The provisions of this subsection shall apply with respect to a surviving spouse having no child in the same manner as they apply to a veteran having neither spouse nor child.

(B) The provisions of this subsection shall apply with respect to a child entitled to pension under section 1542 of this title in the same manner as they apply to a veteran having neither spouse nor child.

(6) The costs of administering this subsection shall be paid for from amounts available to the Department of Veterans Affairs for the payment of compensation and pension.

(7) This subsection expires on ❲November 30, 2031❳ *January 30, 2034*.

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MINORITY VIEWS

H.R. 3483, as introduced, would direct the Secretary to utilize or procure an IT system to detect fraud, waste, and abuse in claims submitted for payment under the Veterans Community Care Program (VCCP). The bill mandates that VA use VA's franchise fund to pay for the IT system. This bill is problematic on both policy and funding grounds.

First, the policy to procure a new IT system to detect fraud is duplicative. Such functionality already exists at the Department of Veterans Affairs (VA) within the Program Integrity Tool (PIT), though its use has been paused to resolve issues with data integrity and accuracy of its claims assessments. VA has reported that it expects to resume the tool's efforts of fraud, waste, and abuse oversight, including the support for investigative activities for VA stakeholders like the Office of the Inspector General, in October 2025.

While Representative Barrett's amendment in the nature of a substitute expanded the scope of H.R. 3483 to include assessments of claims submitted for payment across all programs within the Veterans Health Administration (VHA), Democratic Members still view such efforts as duplicative to functionality currently performed by the PIT. By focusing on restoring these tasks, and by investing in the IT workforce performing such restorations and upgrades, VA could see increased efficiency and expanded use cases to review claims submitted within VHA. Such efforts towards restoring functionality of an existing system, rather than starting anew would likely be a more efficient use of VA's budget and workforce, particularly considering VA's track record for implementing new IT systems.

Over the last nine months, the Trump administration, Secretary Doug Collins, and Republicans have turned a blind eye to the devastation of the Office of Information and Technology. Such efforts demonstrate a continuous dismantling of VA's capacity by constantly expanding its portfolio of what it must take on, without making equitable investments in resources and staff. For example, the fiscal year 2026 budget cuts OIT's budget by half a billion dollars—from what many deemed a "maintenance budget" in 2025. Further, the Department has lost over 12% of its highly skilled IT workforce through the Deferred Resignation Program (DRP), the Voluntary Early Retirement Authority (VERA), and other attrition. Without this workforce, VA stands wholly less prepared to modernize its legacy systems, and less agile to respond to threats and disruptions when they occur. Ultimately, no portion of this bill—specifically not the raiding of the franchise fund—will provide oversight into VA's poor track record of IT procurement; it will only impair future efforts to modernize and maintain existing VA systems.

Second, the bill uses an internal VA fund to pay for the unknown cost of the proposed IT system. At the full Committee markup on July 23, 2025, Ranking Member Mark Takano (D–CA) offered an amendment to H.R. 3483 to strike the use of the franchise fund as the method of paying for the IT system mandated in the text, which not was not adopted by a vote of 11 ayes and 12 nays.

Franchise funds are a type of revolving fund that VA uses to provide services to other agencies, like IT services, HR assistance, or business transaction support, through service lines called enterprise centers. Some of its centers also serve VA specific offices and goals, like the training of VA police through the Law Enforcement Training Center (LETC). Revenue that is gathered through these operations are then reinvested into such functions or fed into a capital reserve of less than 4% of its total value—allowing it to operate like a self-sustaining business entity at the Department.

While Information Technology is one of the intended business segments of the franchise fund's products and services, raiding the fund to pay for a system that will not reinvest its profits back into the fund is not an applicable use of such services. As the bill is currently laid out, any revenue earned through the detection of fraud, waste, and abuse with this system will be routed to the Medical Care Collection Fund (MCCF), rather than the franchise fund. VA policy lays out the process for utilizing such reserves, but notes that to utilize such reserves, the users must dictate a plan to how to pay back the Franchise Fund; which H.R. 3483 does not contain.[1]

Ultimately, if tools are bought or created using the financial resources of the franchise fund, and its profits are not continually reinvested into the fund—as H.R. 3483 intends—the reserve would be eaten away, decreasing its ability to make the necessary improvements it needs to over the years. Without these improvements, VA may not be able to remain competitive in the other shared services that VA provides to agencies, leading those agencies to seek those services elsewhere and further depleting the franchise fund and that revenue. At worst, such depletions could lead to service disruption or a financial collapse, leading to the need for a congressionally funded bail out.

Democratic Members fundamentally object to the raiding of the franchise fund, and through this amendment, pushed for the Majority to undertake the appropriate avenues for funding new IT projects through the traditional appropriations process.

MARK TAKANO,
Ranking Member.

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[1] U.S. Department of Veterans Affairs, Office of Financial Policy, Volume XI—Unique Fund Accounts, Chapter 05—Franchise Fund (Jul. 17, 2024).