

**Calendar No. 436**

103D CONGRESS  
2D SESSION

**S. 1974**

**[Report No. 103-268]**

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## **A BILL**

To authorize the Secretary of Veterans Affairs to conduct pilot programs in order to evaluate the feasibility of the participation of the Department of Veterans Affairs health care system in the health care systems of States that have enacted health care reform.

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MAY 23 (legislative day, MAY 16), 1994

Reported with an amendment

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**IN THE SENATE OF THE UNITED STATES**

MARCH 24 (legislative day, FEBRUARY 22), 1994

Mr. ROCKEFELLER (for himself, Mr. MURKOWSKI, Mr. GRAHAM, Mr. AKAKA, Mr. DASCHLE, Mr. THURMOND, Mr. JEFFORDS, Mr. LEAHY, Mrs. MURRAY, Mr. CAMPBELL, and Mr. WELLSTONE) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

MAY 23 (legislative day, MAY 16), 1994

Reported by Mr. ROCKEFELLER, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

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**A BILL**

To authorize the Secretary of Veterans Affairs to conduct pilot programs in order to evaluate the feasibility of the participation of the Department of Veterans Affairs health care system in the health care systems of States that have enacted health care reform.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “VA State Health Care  
3 Reform Pilot Program Act”.

4 **SEC. 2. PURPOSE OF PILOT PROGRAMS.**

5 The purpose of this Act is to authorize the participa-  
6 tion of the Department of Veterans Affairs health care  
7 system in the health care systems of States that have en-  
8 acted health care reform in order to evaluate the most ap-  
9 propriate means of enabling the Department health care  
10 system to participate in such systems and in the National  
11 health care system contemplated under any plans for Na-  
12 tional health care reform.

13 **SEC. 3. HEALTH CARE PILOT PROGRAMS.**

14 (a) IN GENERAL.—The Secretary may carry out pilot  
15 programs on the participation of the Department of Veter-  
16 ans Affairs health care system in the health care systems  
17 of States that have adopted comprehensive health benefit  
18 plans. The Secretary shall carry out any pilot program  
19 under this Act in accordance with the provisions of this  
20 Act.

21 (b) STATES ELIGIBLE FOR DESIGNATION.—(1) The  
22 Secretary shall designate each of not more than five States  
23 as a location for a pilot program under this Act. The Sec-  
24 retary shall complete the designation of States as locations  
25 for pilot programs not later than 30 days after the date  
26 of the enactment of this Act.

1       (2) The Secretary may designate a State as a location  
2 for a pilot program under this Act if the Secretary deter-  
3 mines that—

4           (A) the State has enacted, or will soon enact,  
5 a statute establishing or providing for a comprehen-  
6 sive health benefit plan; and

7           (B) the participation of the health care system  
8 of the Department under the plan is feasible and ap-  
9 propriate in light of the purpose of this Act.

10       (C) DEPARTMENT PARTICIPATION IN STATE HEALTH  
11 BENEFIT PLANS.—(1) To the maximum extent prac-  
12 ticable, the Secretary shall provide eligible persons under  
13 each pilot program under this Act with the comprehensive  
14 package of basic health care benefits that would otherwise  
15 be available to such persons under the comprehensive  
16 health benefit plan of the State in which the pilot program  
17 is carried out. The Secretary shall provide such benefits  
18 through the health care system of the Department in such  
19 State as if such system were a provider of such benefits  
20 under such plan.

21       (2) Notwithstanding any other provision of law, a  
22 State may not prohibit the participation of the Depart-  
23 ment under the comprehensive health benefit plan of the  
24 State under a pilot program unless the chief executive offi-  
25 cer of the State certifies to the Secretary that—

1           (A) the benefits to be provided by the Depart-  
2           ment under the pilot program do not meet require-  
3           ments for quality of benefits established by or pro-  
4           vided under the plan; or

5           (B) the location of Department facilities (in-  
6           cluding facilities providing services by contract or  
7           agreement with the Secretary) in the State is such  
8           that the proximity of eligible persons to such facili-  
9           ties does not meet requirements so established for  
10          such proximity.

11          (3) To the maximum extent practicable, the Secretary  
12          shall provide health care benefits under a pilot program  
13          under this Act in accordance with the statutory require-  
14          ments and regulatory requirements imposed with respect  
15          to the provision and availability of such benefits under the  
16          comprehensive health benefit plan of the State in which  
17          the pilot program is carried out.

18          (4) Not later than 30 days after the designation of  
19          a State as a location for a pilot program under this Act,  
20          the Secretary and the health system director for that State  
21          shall jointly determine the Federal regulations the waiver  
22          or modification of which is necessary in order to facilitate  
23          the carrying out of the pilot program. Upon such deter-  
24          mination, the Secretary shall waive or modify the applica-  
25          tion of such regulations to the pilot program.

1       (5) The Secretary shall furnish any eligible person  
2 living in a State in which a pilot program is carried out  
3 ~~(including any eligible person electing to receive benefits~~  
4 ~~under the pilot program and any eligible person not elect-~~  
5 ~~ing to receive benefits under the pilot program)~~ with the  
6 health care benefits for which such person is eligible under  
7 chapter 17 of title 38, United States Code, notwithstand-  
8 ing that the comprehensive package of basic health care  
9 benefits provided under the comprehensive health benefit  
10 plan of the State does not otherwise include such health  
11 care benefits. The Secretary shall furnish any health care  
12 benefits under this paragraph in accordance with the pro-  
13 visions of that chapter.

14       (d) HEALTH SYSTEM DIRECTOR.—The Secretary  
15 shall designate a health system director for each State in  
16 which a pilot program is carried out under this Act. The  
17 health system director of a State shall be the director or  
18 chief of staff of a Department medical center located in  
19 the State in which the pilot program is carried out. To  
20 the maximum extent practicable, the Secretary shall dele-  
21 gate to the health system directors the responsibilities of  
22 the Secretary under this Act.

23       (e) ADMINISTRATIVE REORGANIZATION.—The Sec-  
24 retary may carry out any administrative reorganization of  
25 an office, facility, activity, or function of the health care

1 system of the Department in a State in which a pilot pro-  
2 gram is carried out that the Secretary and the health sys-  
3 tem director jointly determine to be necessary in order to  
4 facilitate the carrying out of the pilot program. Section  
5 510(b) of title 38, United States Code, shall not apply to  
6 any such administrative reorganization.

7 (f) PROVISION OF BENEFITS.—(1)(A) Except as pro-  
8 vided in subparagraph (B), the Secretary shall provide  
9 health care benefits under a pilot program—

10 (i) through the direct provision of such services  
11 by the health care system of the Department in the  
12 State in which the pilot program is carried out; or

13 (ii) in the event that such services cannot be  
14 provided directly by such system, by contract or  
15 other agreement in accordance with paragraph (2).

16 (B) The Secretary may exclude facilities of the De-  
17 partment from participation in a pilot program. Any facili-  
18 ties so excluded shall continue to provide health care bene-  
19 fits to veterans and other persons eligible for such benefits  
20 in accordance with the provisions of title 38, United States  
21 Code.

22 (2) The health system director of a pilot program  
23 may enter into contracts and agreements for the provision  
24 of health care services and contracts and agreements for  
25 other services with respect to the pilot program under

1 paragraph (1)(A)(ii). Any such contract or agreement (in-  
2 cluding any lease) shall not be subject to the following pro-  
3 visions of law:

4 (A) Section 8110(c) of title 38, United States  
5 Code, relating to contracting of services at Depart-  
6 ment health-care facilities.

7 (B) Section 8122(a)(1) of such title, relating to  
8 the lease of Department property.

9 (C) Section 8125 of such title, relating to local  
10 contracts for the procurement of health-care items.

11 (D) Section 702 of title 5, United States Code,  
12 relating to the right of review of agency wrongs by  
13 courts of the United States.

14 (E) Sections 1346(a)(2) and 1491 of title 28,  
15 United States Code, relating to the jurisdiction of  
16 the district courts of the United States and the  
17 United States Court of Federal Claims, respectively,  
18 for the actions enumerated in such sections.

19 (F) Subchapter V of chapter 35 of title 31,  
20 United States Code, relating to adjudication of pro-  
21 tests of violations of procurement statutes and regu-  
22 lations.

23 (G) Sections 3526 and 3702 of such title, relat-  
24 ing to the settlement of accounts and claims, respec-  
25 tively, of the United States.

1           (H) Subsections (b)(7), (c), (f), (g), and (h) of  
2 section 8 of the Small Business Act (15 U.S.C.  
3 637(b)(7), (c), (f), (g), and (h)), relating to require-  
4 ments with respect to small businesses for contracts  
5 for property and services.

6           (I) The provisions of law assembled for pur-  
7 poses of codification of the United States Code as  
8 section 471 through 544 of title 40 that relate to the  
9 authority of the Administrator of General Services  
10 over the lease and disposal of Federal Government  
11 property.

12           (J) The Office of Federal Procurement Policy  
13 Act (41 U.S.C. 401 et seq.), relating to the procure-  
14 ment of property and services by the Federal Gov-  
15 ernment.

16           (K) Chapter 3 of the Federal Property and Ad-  
17 ministrative Services Act of 1949 (41 U.S.C. 251 et  
18 seq.), relating to the procurement of property and  
19 services by the Federal Government.

20           (L) Office of Management and Budget Circular  
21 A-76.

22           (3)(A) Notwithstanding any other provision of law,  
23 contracts and agreements for the provision of health care  
24 services under this subsection shall include contracts and  
25 other agreements with insurers, health care providers, or

1 other individuals or entities that provide health care serv-  
2 ices in order to obtain health-care resources for eligible  
3 persons under a pilot program or to furnish health care  
4 benefits to such persons.

5 (B) A health system director of a pilot program may  
6 enter into a contract or agreement under this paragraph  
7 only if the director determines that the contract or agree-  
8 ment is necessary in order to ensure the provision of  
9 health care services of an acceptable level and quality  
10 under the pilot program.

11 (C) Contracts and agreements under this paragraph  
12 may be entered into without prior review by the Central  
13 Office of the Department.

14 (4)(A) Contracts and agreements under this sub-  
15 section for services other than the services referred to in  
16 paragraph (3) (including contracts and agreements for  
17 procurement of equipment, maintenance and repair serv-  
18 ices, and other services related to the provision of health  
19 care services) shall not be subject to review by the Central  
20 Office if the amount of such contracts or agreements is  
21 less than \$250,000.

22 (B) Contracts and agreements for services under this  
23 paragraph shall be subject to review by the Central Office  
24 if the amount of such contracts or agreements is \$250,000  
25 or greater. If the Central Office fails to approve or reject

1 a contract or agreement under this clause within 30 days  
2 of its submittal to the Central Office, such contract or  
3 agreement shall be deemed approved by the Central Office.

4 ~~(g) DEPARTMENT PERSONNEL.—(1) Notwithstand-~~  
5 ~~ing any other provision of law and to the extent necessary~~  
6 ~~to carry out the purpose of a pilot program, the Secretary~~  
7 ~~may—~~

8 (A) appoint health care personnel to positions  
9 in the health care system of the Department in the  
10 State in which the pilot program is carried out in  
11 accordance with such qualifications for such posi-  
12 tions as the Secretary may establish; and

13 (B) promote and advance personnel serving in  
14 such positions in accordance with such qualifications  
15 as the Secretary may establish.

16 ~~(2) Not later than 60 days after the designation of~~  
17 ~~a State as a location for a pilot program under this Act,~~  
18 ~~or at such other time as the Secretary may determine, the~~  
19 ~~Secretary shall request authority from the Director of the~~  
20 ~~Office of Management and Budget to permit the Secretary~~  
21 ~~to employ a number of full time equivalent employees in~~  
22 ~~the health care system of the Department in that State~~  
23 ~~which exceeds the number of such employees that would~~  
24 ~~otherwise be authorized for such employment by the Direc-~~  
25 ~~tor.~~

1       ~~(3)~~ Notwithstanding any other provision of law, em-  
2 ployees of the Department at facilities of the Department  
3 under a pilot program shall not, during the carrying out  
4 of the pilot program, be subject to any reduction in the  
5 number of full time employees of the Department or as  
6 a result of a reduction in the number of full time employ-  
7 ees of the Federal Government.

8       ~~(h)~~ ELIGIBLE PERSONS.—~~(1)~~ A person eligible for  
9 health care benefits under a pilot program is any person  
10 residing in a State in which a pilot program is carried  
11 out as follows:

12           ~~(A)~~ Any veteran.

13           ~~(B)~~ Any spouse or child of a veteran.

14           ~~(C)~~ Any individual eligible for care under para-  
15 graph ~~(2)~~ or ~~(3)~~ of section 1713(a) of title 38, Unit-  
16 ed States Code.

17       ~~(2)~~ Notwithstanding any other provision of law, a  
18 State may not require that any person other than a person  
19 referred to in paragraph ~~(1)~~ be eligible for health care ben-  
20 efits through the Department under a pilot program.

21       ~~(i)~~ COPAYMENTS AND OTHER CHARGES.—~~(1)~~ Except  
22 as provided in paragraph ~~(2)~~, the Secretary may collect  
23 from or on behalf of any individual receiving health care  
24 benefits from the Secretary under a pilot program under  
25 this Act a premium, deductible, copayment, or other

1 charge with respect to the provision of a benefit under the  
2 pilot program. The amount of the premium, deductible,  
3 copayment, or other charge collected with respect to a ben-  
4 efit provided under a pilot program may not exceed the  
5 maximum amount otherwise permitted for a premium, de-  
6 ductible, copayment, or other charge with respect to that  
7 benefit under the comprehensive health benefits plan of  
8 the State in which the pilot program is carried out.

9       ~~(2)(A)~~ Except as provided in subparagraph ~~(B)~~, the  
10 Secretary shall waive the collection under the pilot pro-  
11 grams of premiums, deductibles, copayments, and other  
12 charges with respect to the benefits provided by the De-  
13 partment to the following:

14           (i) Veterans with compensable service-connected  
15 disabilities.

16           (ii) Veterans whose discharge or release from  
17 active military, naval, or air service was for a com-  
18 pensable disability that was incurred or aggravated  
19 in the line of duty.

20           (iii) Veterans who are in receipt of, or who, but  
21 for a suspension pursuant to section 1151 of title  
22 38, United States Code (or both a suspension and  
23 the receipt of retired pay), would be entitled to dis-  
24 ability compensation, but only to the extent that  
25 such veterans' continuing eligibility for such care is

1 provided for in the judgment or settlement provided  
2 for in such section.

3 (iv) Veterans who are a former prisoners of  
4 war.

5 (v) Veterans of the Mexican border period or of  
6 World War I.

7 (vi) Veterans who are unable to defray the ex-  
8 penses of necessary care, as determined in accord-  
9 ance with section 1722(a) of such title.

10 (B) The Secretary may collect premiums, deductibles,  
11 copypayments, and other charges with respect to benefits  
12 provided under a pilot program to veterans referred to in  
13 subparagraph (A) from any third party obligated to pro-  
14 vide, or to pay the expenses of, such benefits to or for  
15 such veterans under the comprehensive health benefits  
16 plan of the State in which the pilot program is carried  
17 out.

18 (j) FUNDING.—(1) There is established in the Treas-  
19 ury a fund to be known as the Department of Veterans  
20 Affairs Health Care Reform Fund (hereafter referred to  
21 in this subsection as the “Fund”).

22 (2)(A) Notwithstanding any other provision of law,  
23 amounts shall be deposited in the Fund as follows:

24 (i) Amounts made available to a pilot program  
25 based upon a determination under paragraph (3).

1           (ii) Amounts collected under a pilot program in  
2 accordance with subsection (i).

3           (iii) Amounts determined with respect to a pilot  
4 program under paragraph (4).

5           (iv) Such other amounts as the Secretary and  
6 the health system directors of the pilot programs  
7 jointly determine to be necessary in order to carry  
8 out the pilot programs.

9           (v) Such other amounts as may be appropriated  
10 to the pilot programs.

11       (B) The Secretary shall make available amounts  
12 under clauses (i) and (iv) of subparagraph (A) from  
13 amounts appropriated to the Department of Veterans Af-  
14 fairs for the provision of health care services.

15       (C) The Secretary shall establish and maintain a sep-  
16 arate account under the Fund for each pilot program car-  
17 ried out under this Act. Any deposits and expenditures  
18 with respect to a pilot program shall be made to or from  
19 the account established and maintained with respect to  
20 that pilot program.

21       (3)(A) For each year of the operation of a pilot pro-  
22 gram under this Act, the Secretary shall deposit in ac-  
23 count of the Fund for the pilot program an amount (as  
24 determined by the Secretary) equal to the amount that  
25 would otherwise be made available to the health care sys-

1 tem of the Department in the State in which the pilot pro-  
2 gram is carried out for the payment of the cost of health  
3 care services by such system in that State in that year.  
4 The Secretary shall deposit such amount at the beginning  
5 of such year.

6 ~~(B)~~ The costs referred to in subparagraph (A) shall  
7 not include costs relating to the provision by the Secretary  
8 of the following services:

9 ~~(i)~~ Services relating to post-traumatic stress  
10 disorder.

11 ~~(ii)~~ Services relating to spinal-cord injuries.

12 ~~(iii)~~ Services relating to substance abuse.

13 ~~(iv)~~ Services relating to the rehabilitation of  
14 blind veterans.

15 ~~(4)(A)~~ In each year of the operation of a pilot pro-  
16 gram under this Act, the Secretary shall deposit into the  
17 account of the Fund for the pilot program an amount with  
18 respect to the pilot program that is equal to the portion  
19 of the amount referred to in subparagraph (B) that is allo-  
20 cable to the medical-care cost recovery activities of the De-  
21 partment under section 1729(g)(4) of title 38, United  
22 States Code, in the State in which the pilot program is  
23 carried out.

24 ~~(B)~~ The amount referred to in subparagraph (A) is  
25 the amount by which the unobligated balance in the De-

1 partment of Veterans Affairs Medical Care Cost Recovery  
2 Fund for the year preceding the date of the deposit under  
3 this paragraph exceeds the estimated amount of such un-  
4 obligated balance at the commencement of such preceding  
5 year.

6 ~~(C)~~ The Secretary shall make deposits under this  
7 paragraph at the same time as the deposit under such sec-  
8 tion.

9 ~~(5)(A)~~ Notwithstanding any other provision of law,  
10 the health system director for a State in which a pilot pro-  
11 gram is carried out shall determine the costs for which  
12 amounts in the Fund may be expended in carrying out  
13 the pilot program.

14 ~~(B)(i)~~ Except as provided in clause (ii), the costs of  
15 carrying out a pilot program under this paragraph shall  
16 include any costs of marketing and advertising under the  
17 program and costs relating to acquisition (including acqui-  
18 sition of land), construction, repair, or renovation of facili-  
19 ties.

20 ~~(ii)~~ Costs under this subparagraph shall not include  
21 any costs relating to a major medical facility project or  
22 a major medical facility lease as such terms are defined  
23 in subparagraphs (A) and (B) of section 8104(a)(3) of  
24 title 38, United States Code, respectively.

1        ~~(C) Amounts in the Fund for the payment of costs~~  
2 ~~of a pilot program under this subsection shall be available~~  
3 ~~for such purpose without fiscal year limitation.~~

4        ~~(k) TERMINATION.—A pilot program carried out~~  
5 ~~under this Act shall terminate not later than 2 years after~~  
6 ~~the date of the commencement of provision of benefits~~  
7 ~~under the pilot program.~~

8 **SEC. 4. REPORTS ON PILOT PROGRAMS.**

9        ~~(a) COLLECTION OF INFORMATION.—(1) The Sec-~~  
10 ~~retary shall collect such information with respect to the~~  
11 ~~provision of health care benefits under each pilot program~~  
12 ~~as is necessary to permit the Secretary to evaluate the~~  
13 ~~pilot program in light of the purpose of the pilot program~~  
14 ~~under this Act.~~

15        ~~(2) The information collected by the Secretary under~~  
16 ~~paragraph (1) shall include aggregated data on the follow-~~  
17 ~~ing:~~

18            ~~(A) The number of persons participating in~~  
19 ~~each pilot program, including the age, sex, health~~  
20 ~~status, disability ratings (if any), employment sta-~~  
21 ~~tus, and incomes of such persons.~~

22            ~~(B) The nature of benefits sought by such per-~~  
23 ~~sons under each pilot program.~~

24            ~~(C) The nature and quantity of benefits pro-~~  
25 ~~vided to such persons under each pilot program.~~

1           ~~(D)~~ The cost to the Department of providing  
2           such benefits under each pilot program.

3           ~~(b)~~ REPORTS.—~~(1)~~ Not later than 14 months after  
4 the date of the completion of the designation of States  
5 as locations for pilot programs under this Act, the Sec-  
6 retary shall submit to the Committees on Veterans' Affairs  
7 of the Senate and House of Representatives a report on  
8 the progress of the Secretary in carrying out the pilot pro-  
9 grams. Such report shall include the information referred  
10 to in subsection ~~(a)(2)~~ on the date of the report.

11           ~~(2)~~ Not later than November 30 of the year of the  
12 termination of the final pilot program under this Act, the  
13 Secretary shall submit to the committees referred to in  
14 paragraph ~~(1)~~ a report on the pilot programs carried out  
15 under this Act. The report shall include the following:

16           ~~(A)~~ The information referred to in subsection  
17           ~~(a)(2)~~, together with the comments and conclusions  
18           of the Secretary with respect to such information.

19           ~~(B)~~ An assessment by the Secretary of the util-  
20           ity of each pilot program for carrying out the pur-  
21           pose of this Act.

22           ~~(C)~~ An assessment by the Secretary of appro-  
23           priate means of integrating the health care system  
24           of the Department into the health care systems of  
25           States that have enacted health care reform and into

1 the National health care system contemplated under  
2 any plans for National health care reform.

3 ~~(D)~~ Such other information, assessments, and  
4 conclusions as the Secretary considers appropriate.

5 **SEC. 5. DEFINITIONS.**

6 For the purposes of this Act—

7 (1) The terms “Secretary”, “Department”,  
8 “veteran”, “child” and “spouse” have the meanings  
9 given such terms in paragraphs (1), (2), (4), and  
10 (31) of section 101 of title 38, United States Code,  
11 respectively.

12 (2) The term “comprehensive health benefit  
13 plan”, in the case of a State, means a plan or sys-  
14 tem established under the law of the State that—

15 (A) ensures the access of all residents of  
16 the State to a comprehensive package of basic  
17 health care benefits; and

18 (B) ensures such access by providing that  
19 such benefits shall be provided directly or by  
20 contract by public and private entities.

21 (3) The term “comprehensive package of basic  
22 health care benefits” means the health care benefits  
23 provided for by a State under the comprehensive  
24 health benefit plan of the State.

1           (4) The term “health care system of the De-  
2           partment”, in the case of a State designated as a lo-  
3           cation for a pilot program, means the facilities and  
4           personnel of the Department located in that State  
5           that provide health care services under chapter 17 of  
6           title 38, United States Code.

7           **SECTION 1. SHORT TITLE.**

8           *This Act may be cited as the “VA State Health Care*  
9           *Reform Pilot Program Act”.*

10          **SEC. 2. PURPOSE OF PILOT PROGRAMS.**

11          *The purpose of this Act is to authorize the participa-*  
12          *tion of the Department of Veterans Affairs health care sys-*  
13          *tem in the health care systems of States that have enacted*  
14          *health care reform in order to evaluate the most appropriate*  
15          *means of enabling the Department health care system to*  
16          *participate in such systems and in the National health care*  
17          *system contemplated under any plans for National health*  
18          *care reform.*

19          **SEC. 3. HEALTH CARE PILOT PROGRAMS.**

20          (a) *IN GENERAL.*—*The Secretary may carry out pilot*  
21          *programs on the participation of the Department of Veter-*  
22          *ans Affairs health care system in the health care systems*  
23          *of States that have adopted comprehensive health benefit*  
24          *plans. The Secretary shall carry out any pilot program*

1 *under this Act in accordance with the provisions of this*  
2 *Act.*

3 *(b) STATES ELIGIBLE FOR DESIGNATION.—(1) The*  
4 *Secretary shall designate each of not more than five States*  
5 *as a location for a pilot program under this Act. The Sec-*  
6 *retary shall complete the designation of States as locations*  
7 *for pilot programs not later than 30 days after the date*  
8 *of the enactment of this Act.*

9 *(2) The Secretary may designate a State as a location*  
10 *for a pilot program under this Act if the Secretary deter-*  
11 *mines that—*

12 *(A) the State has enacted, or will soon enact, a*  
13 *statute establishing or providing for a comprehensive*  
14 *health benefit plan; and*

15 *(B) the participation of the health care system of*  
16 *the Department under the plan is feasible and appro-*  
17 *priate in light of the purpose of this Act.*

18 *(c) DEPARTMENT PARTICIPATION IN STATE HEALTH*  
19 *BENEFIT PLANS—(1) To the maximum extent practicable,*  
20 *the Secretary shall provide eligible persons under each pilot*  
21 *program under this Act with the comprehensive package of*  
22 *basic health care benefits that would otherwise be available*  
23 *to such persons under the comprehensive health benefit plan*  
24 *of the State in which the pilot program is carried out. The*  
25 *Secretary shall provide such benefits through the health care*

1 *system of the Department in such State as if such system*  
2 *were a provider of such benefits under such plan.*

3 *(2) Notwithstanding any other provision of law, a*  
4 *State may not prohibit the participation of the Department*  
5 *under the comprehensive health benefit plan of the State*  
6 *under a pilot program unless the chief executive officer of*  
7 *the State certifies to the Secretary that—*

8 *(A) the benefits to be provided by the Depart-*  
9 *ment under the pilot program do not meet require-*  
10 *ments for quality of benefits established by or pro-*  
11 *vided under the plan; or*

12 *(B) the location of Department facilities (includ-*  
13 *ing facilities providing services by contract or agree-*  
14 *ment with the Secretary) in the State is such that the*  
15 *proximity of eligible persons to such facilities does not*  
16 *meet requirements so established for such proximity.*

17 *(3) Not later than 30 days after the designation of a*  
18 *State as a location for a pilot program under this Act, and*  
19 *at such other times as the Secretary may determine, the*  
20 *Secretary and the health system director for that State shall*  
21 *jointly determine the regulations under the authority of the*  
22 *Secretary the waiver or modification of which is necessary*  
23 *in order to facilitate the carrying out of the pilot program.*  
24 *Upon such determination, the Secretary shall waive or*

1 *modify the application of such regulations to the pilot pro-*  
2 *gram.*

3       (4) *The Secretary shall furnish any eligible person liv-*  
4 *ing in a State in which a pilot program is carried out (in-*  
5 *cluding any eligible person electing to receive benefits under*  
6 *the pilot program and any eligible person not electing to*  
7 *receive benefits under the pilot program) with the health*  
8 *care benefits for which such person is eligible under chapter*  
9 *17 of title 38, United States Code, notwithstanding that the*  
10 *comprehensive package of basic health care benefits provided*  
11 *under the comprehensive health benefit plan of the State*  
12 *does not otherwise include such health care benefits. The*  
13 *Secretary shall furnish any health care benefits under this*  
14 *paragraph in accordance with the provisions of that chap-*  
15 *ter.*

16       (d) *HEALTH SYSTEM DIRECTOR.—(1) The Secretary*  
17 *shall designate a health system director for each State in*  
18 *which a pilot program is carried out under this Act. To*  
19 *the maximum extent feasible, the Secretary shall delegate*  
20 *to the health system directors the responsibilities of the Sec-*  
21 *retary under this Act.*

22       (2)(A) *Subject to subparagraph (B), the Secretary*  
23 *shall designate an individual as health system director for*  
24 *a State from among nominees for that position selected by*  
25 *a panel composed of individuals who are senior manage-*

1 *ment personnel of the Department medical centers located*  
2 *in that State.*

3 *(B) An individual selected for nomination to be a*  
4 *health system director of a State under subparagraph (A)*  
5 *shall be—*

6 *(i) the director or chief of staff of a Department*  
7 *medical center located in the State in which the pilot*  
8 *program is carried out; or*

9 *(ii) any other individual having experience with*  
10 *the Department medical system that is equivalent to*  
11 *the experience with that system of an individual in*  
12 *a position referred to in clause (i).*

13 *(e) ADMINISTRATIVE REORGANIZATION.—The Sec-*  
14 *retary may carry out any administrative reorganization of*  
15 *an office, facility, activity, or function of the health care*  
16 *system of the Department in a State in which a pilot pro-*  
17 *gram is carried out that the Secretary and the health system*  
18 *director jointly determine to be necessary in order to facili-*  
19 *tate the carrying out of the pilot program. Section 510(b)*  
20 *of title 38, United States Code, shall not apply to any such*  
21 *administrative reorganization.*

22 *(f) PROVISION OF BENEFITS.—(1)(A) Except as pro-*  
23 *vided in subparagraph (B), the Secretary shall provide*  
24 *health care benefits under a pilot program—*

1           (i) through the direct provision of such services  
2 by the health care system of the Department in the  
3 State in which the pilot program is carried out; or

4           (ii) by contract or other agreement in accordance  
5 with paragraph (2).

6           (B) The Secretary may exclude facilities of the Depart-  
7 ment from participation in a pilot program. Any facilities  
8 so excluded shall continue to provide health care benefits  
9 to veterans and other persons eligible for such benefits in  
10 accordance with the provisions of laws administered by the  
11 Secretary.

12          (2) The health system director of a pilot program may  
13 enter into contracts and agreements for the provision of  
14 health care services and contracts and agreements for other  
15 services with respect to the pilot program under paragraph  
16 (1)(A)(ii). Any such contract or agreement (including any  
17 lease) shall not be subject to the following provisions of law:

18           (A) Section 8110(c) of title 38, United States  
19 Code, relating to contracting of services at Depart-  
20 ment health-care facilities.

21           (B) Section 8122(a)(1) of such title, relating to  
22 the lease of Department property.

23           (C) Section 8125 of such title, relating to local  
24 contracts for the procurement of health-care items.

1           (D) Section 702 of title 5, United States Code,  
2 relating to the right of review of agency wrongs by  
3 courts of the United States.

4           (E) Sections 1346(a)(2) and 1491 of title 28,  
5 United States Code, relating to the jurisdiction of the  
6 district courts of the United States and the United  
7 States Court of Federal Claims, respectively, for the  
8 actions enumerated in such sections.

9           (F) Subchapter V of chapter 35 of title 31,  
10 United States Code, relating to adjudication of pro-  
11 tests of violations of procurement statutes and regula-  
12 tions.

13           (G) Sections 3526 and 3702 of such title, relat-  
14 ing to the settlement of accounts and claims, respec-  
15 tively, of the United States.

16           (H) Subsections (b)(7), (e), (f), (g), and (h) of  
17 section 8 of the Small Business Act (15 U.S.C.  
18 637(b)(7), (e), (f), (g), and (h)), relating to require-  
19 ments with respect to small businesses for contracts  
20 for property and services.

21           (I) The provisions of law assembled for purposes  
22 of codification of the United States Code as section  
23 471 through 544 of title 40 that relate to the author-  
24 ity of the Administrator of General Services over the  
25 lease and disposal of Federal Government property.

1           (J) *The Office of Federal Procurement Policy Act*  
2           (41 U.S.C. 401 et seq.), relating to the procurement  
3           of property and services by the Federal Government.

4           (K) *Chapter 3 of the Federal Property and Ad-*  
5           *ministrative Services Act of 1949 (41 U.S.C. 251 et*  
6           *seq.), relating to the procurement of property and*  
7           *services by the Federal Government.*

8           (L) *Office of Management and Budget Circular*  
9           *A-76.*

10          (3)(A) *Notwithstanding any other provision of law,*  
11          *contracts and agreements for the provision of health care*  
12          *services under this subsection may include contracts and*  
13          *other agreements with insurers, health care providers, or*  
14          *other individuals or entities that provide health care serv-*  
15          *ices.*

16          (B) *Contracts and agreements under this paragraph*  
17          *may be entered into without prior review by the Central*  
18          *Office of the Department.*

19          (4)(A) *Contracts and agreements under this subsection*  
20          *for services other than the services referred to in paragraph*  
21          (3) *(including contracts and agreements for procurement of*  
22          *equipment, maintenance and repair services, and other*  
23          *services related to the provision of health care services) shall*  
24          *not be subject to prior review by the Central Office if the*

1 amount of such contracts or agreements is less than  
2 \$250,000.

3 (B) Contracts and agreements for services under this  
4 paragraph shall be subject to prior review by the Central  
5 Office if the amount of such contracts or agreements is  
6 \$250,000 or greater. If the Central Office fails to approve  
7 or reject a contract or agreement under this clause within  
8 30 days of its submittal to the Central Office, such contract  
9 or agreement shall be deemed approved by the Central Of-  
10 fice.

11 (g) DEPARTMENT PERSONNEL.—(1) Notwithstanding  
12 any other provision of law and to the extent necessary to  
13 carry out the purpose of a pilot program, the Secretary  
14 may—

15 (A) appoint personnel to positions in the health  
16 care system of the Department in the State in which  
17 the pilot program is carried out in accordance with  
18 such standards for such positions as the Secretary  
19 may establish; and

20 (B) promote and advance personnel serving in  
21 such positions in accordance with such standards as  
22 the Secretary may establish.

23 (2) Not later than 60 days after the designation of a  
24 State as a location for a pilot program under this Act, or  
25 at such other time as the Secretary may determine, the Sec-

1 *retary shall request authority from the Director of the Office*  
2 *of Management and Budget to permit the Secretary to em-*  
3 *ploy a number of full time equivalent employees in the*  
4 *health care system of the Department in that State which*  
5 *exceeds the number of such employees that would otherwise*  
6 *be authorized for such employment by the Director.*

7       *(3) Notwithstanding any other provision of law, em-*  
8 *ployees of the Department at facilities of the Department*  
9 *under a pilot program shall not, during the carrying out*  
10 *of the pilot program, be subject to any reduction in the*  
11 *number of full time employees of the Department or as a*  
12 *result of a reduction in the number of full time employees*  
13 *of the Federal Government.*

14       *(h) ELIGIBLE PERSONS.—(1) A person eligible for*  
15 *health care benefits under a pilot program is any person*  
16 *residing in a State in which a pilot program is carried*  
17 *out as follows:*

18           *(A) Any veteran.*

19           *(B) Any spouse or child of a veteran.*

20           *(C) Any individual eligible for care under para-*  
21 *graph (2) or (3) of section 1713(a) of title 38, United*  
22 *States Code.*

23       *(2) Notwithstanding any other provision of law, a*  
24 *State may not require that any person other than a person*

1 referred to in paragraph (1) be eligible for health care bene-  
2 fits through the Department under a pilot program.

3 (i) *COPAYMENTS AND OTHER CHARGES.*—(1) Except  
4 as provided in paragraph (2), the Secretary may collect  
5 from or on behalf of any individual receiving health care  
6 benefits from the Secretary under a pilot program under  
7 this Act a premium, deductible, copayment, or other charge  
8 with respect to the provision of a benefit under the pilot  
9 program. The amount of the premium, deductible,  
10 copayment, or other charge collected with respect to a bene-  
11 fit provided under a pilot program may not exceed the max-  
12 imum amount otherwise permitted for a premium, deduct-  
13 ible, copayment, or other charge with respect to that benefit  
14 under the comprehensive health benefits plan of the State  
15 in which the pilot program is carried out.

16 (2)(A) Except as provided in subparagraph (B), the  
17 Secretary shall not collect under the pilot programs pre-  
18 miums, deductibles, copayments, and other charges with re-  
19 spect to the benefits provided by the Department to the fol-  
20 lowing:

21 (i) Veterans with compensable service-connected  
22 disabilities.

23 (ii) Veterans whose discharge or release from ac-  
24 tive military, naval, or air service was for a compen-

1        *sable disability that was incurred or aggravated in*  
2        *the line of duty.*

3            (iii) *Veterans who are in receipt of, or who, but*  
4        *for a suspension pursuant to section 1151 of title 38,*  
5        *United States Code (or both a suspension and the re-*  
6        *ceipt of retired pay), would be entitled to disability*  
7        *compensation, but only to the extent that such veter-*  
8        *ans' continuing eligibility for such care is provided*  
9        *for in the judgment or settlement provided for in such*  
10       *section.*

11           (iv) *Veterans who are former prisoners of war.*

12           (v) *Veterans of the Mexican border period or of*  
13        *World War I.*

14           (vi) *Veterans who are unable to defray the ex-*  
15        *penses of necessary care, as determined in accordance*  
16        *with section 1722(a) of such title.*

17           (B) *The Secretary may collect premiums, deductibles,*  
18        *copayments, and other charges with respect to benefits pro-*  
19        *vided under a pilot program to veterans referred to in sub-*  
20        *paragraph (A) from any third party obligated to provide,*  
21        *or to pay the expenses of, such benefits to or for such veter-*  
22        *ans under the comprehensive health benefits plan of the*  
23        *State in which the pilot program is carried out.*

24           (j) *FUNDING.—(1) There is established in the Treasury*  
25        *a fund to be known as the Department of Veterans Affairs*

1 *Health Care Reform Fund (hereafter referred to in this sub-*  
2 *section as the “Fund”).*

3 *(2)(A) Notwithstanding any other provision of law,*  
4 *amounts shall be deposited in the Fund as follows:*

5 *(i) Amounts collected under a pilot program in*  
6 *accordance with subsection (i).*

7 *(ii) Amounts made available to a pilot program*  
8 *based upon a determination under paragraph (3).*

9 *(iii) Amounts transferred to the Fund with re-*  
10 *spect to a pilot program under paragraph (4).*

11 *(iv) Such other amounts as the Secretary and*  
12 *the health system directors of the pilot programs*  
13 *jointly determine to be necessary in order to carry out*  
14 *the pilot programs.*

15 *(v) Such other amounts as may be appropriated*  
16 *to the pilot programs.*

17 *(B) The Secretary shall make available amounts under*  
18 *clauses (ii) and (iv) of subparagraph (A) from amounts ap-*  
19 *propriated to the Department of Veterans Affairs for the*  
20 *provision of health care services.*

21 *(C) The Secretary shall establish and maintain a sepa-*  
22 *rate account under the Fund for each pilot program carried*  
23 *out under this Act. Any deposits and expenditures with re-*  
24 *spect to a pilot program shall be made to or from the ac-*

1 *count established and maintained with respect to that pilot*  
2 *program.*

3       (3)(A) *For each year of the operation of a pilot pro-*  
4 *gram under this Act, the Secretary shall deposit in account*  
5 *of the Fund for the pilot program an amount (as deter-*  
6 *mined by the Secretary) equal to the amount that would*  
7 *otherwise be made available to the health care system of the*  
8 *Department in the State in which the pilot program is car-*  
9 *ried out for the payment of the cost of health care services*  
10 *by such system in that State in that year. The Secretary*  
11 *shall deposit such amount at the beginning of such year.*

12       (B) *The costs referred to in subparagraph (A) shall*  
13 *not include costs relating to the provision by the Secretary*  
14 *of the following services:*

15           (i) *Services relating to post-traumatic stress dis-*  
16 *order.*

17           (ii) *Services relating to spinal-cord dysfunction.*

18           (iii) *Services relating to substance abuse.*

19           (iv) *Services relating to the rehabilitation of*  
20 *blind veterans.*

21           (v) *Services relating to prosthetics.*

22       (4) *Funds deposited in the Medical-Care Cost Recovery*  
23 *Fund established under section 1729(g) of title 38, United*  
24 *States Code, during any fiscal year in an amount in excess*  
25 *of the Congressional Budget Office baseline (as of the date*

1 of the enactment of this Act) for deposits in that fund for  
2 that fiscal year shall not be subject to paragraph (4) of sec-  
3 tion 1710(f), 1712(f), or 1729(g) (as the case may be) of  
4 that title, but shall be transferred to the fund established  
5 under this subsection. Such transfer for any fiscal year shall  
6 be made at any time that the total of amounts so received  
7 less amounts estimated to cover the expenses, payments, and  
8 costs described in paragraph (3) of section 1729(g) of that  
9 title is in excess of the applicable Congressional Budget Of-  
10 fice baseline.

11 (5)(A) Notwithstanding any other provision of law, the  
12 health system director for a State in which a pilot program  
13 is carried out shall determine the costs for which amounts  
14 in the Fund may be expended in carrying out the pilot pro-  
15 gram.

16 (B)(i) Except as provided in clause (ii), the costs of  
17 carrying out a pilot program under this paragraph shall  
18 include any costs of marketing and advertising under the  
19 program, costs of legal services provided to such pilot pro-  
20 gram by the General Counsel of the Department of Veterans  
21 Affairs, and costs relating to acquisition (including acquisi-  
22 tion of land), construction, repair, or renovation of facili-  
23 ties.

24 (ii) Costs under this subparagraph shall not include  
25 any costs relating to a major medical facility project or

1 *a major medical facility lease as such terms are defined*  
2 *in subparagraphs (A) and (B) of section 8104(a)(3) of title*  
3 *38, United States Code, respectively.*

4 *(C) Amounts in the Fund for the payment of costs of*  
5 *a pilot program under this subsection shall be available for*  
6 *such purpose without fiscal year limitation.*

7 *(k) TERMINATION.—A pilot program carried out under*  
8 *this Act shall terminate not later than 2 years after the*  
9 *date of the commencement of provision of benefits under the*  
10 *pilot program.*

11 **SEC. 4. REPORTS ON PILOT PROGRAMS.**

12 *(a) COLLECTION OF INFORMATION.—(1) The Secretary*  
13 *shall collect such information with respect to the provision*  
14 *of health care benefits under each pilot program as is nec-*  
15 *essary to permit the Secretary to evaluate the pilot program*  
16 *in light of the purpose of the pilot program under this Act.*

17 *(2) The information collected by the Secretary under*  
18 *paragraph (1) shall include aggregated data on the follow-*  
19 *ing:*

20 *(A) The number of persons participating in each*  
21 *pilot program, including the age, sex, health status,*  
22 *disability ratings (if any), employment status, and*  
23 *incomes of such persons.*

24 *(B) The nature of benefits sought by such persons*  
25 *under each pilot program.*

1           (C) *The nature and quantity of benefits provided*  
2           *to such persons under each pilot program.*

3           (D) *The cost to the Department of providing*  
4           *such benefits under each pilot program.*

5           (b) *REPORTS.—(1) Not later than 14 months after the*  
6           *date of the completion of the designation of States as loca-*  
7           *tions for pilot programs under this Act, the Secretary shall*  
8           *submit to the Committees on Veterans' Affairs of the Senate*  
9           *and House of Representatives a report on the progress of*  
10           *the Secretary in carrying out the pilot programs. Such re-*  
11           *port shall include the information referred to in subsection*  
12           *(a)(2) on the date of the report.*

13           (2) *Not later than November 30 of the year of the ter-*  
14           *mination of the final pilot program under this Act, the Sec-*  
15           *retary shall submit to the committees referred to in para-*  
16           *graph (1) a report on the pilot programs carried out under*  
17           *this Act. The report shall include the following:*

18           (A) *The information referred to in subsection*  
19           *(a)(2), together with the comments and conclusions of*  
20           *the Secretary with respect to such information.*

21           (B) *An assessment by the Secretary of the utility*  
22           *of each pilot program for carrying out the purpose of*  
23           *this Act.*

24           (C) *An assessment by the Secretary of appro-*  
25           *prate means of integrating the health care system of*

1       *the Department into the health care systems of States*  
2       *that have enacted health care reform and into the Na-*  
3       *tional health care system contemplated under any*  
4       *plans for National health care reform.*

5             *(D) Such other information, assessments, and*  
6       *conclusions as the Secretary considers appropriate.*

7       **SEC. 5. DEFINITIONS.**

8       *For the purposes of this Act—*

9             *(1) The terms “Secretary”, “Department”, “vet-*  
10       *eran”, “child” and “spouse” have the meanings given*  
11       *such terms in paragraphs (1), (2), (4), and (31) of*  
12       *section 101 of title 38, United States Code, respec-*  
13       *tively.*

14            *(2) The term “comprehensive health benefit*  
15       *plan”, in the case of a State, means a plan or system*  
16       *established under the law of the State that—*

17                *(A) attempts to ensure the access of resi-*  
18       *dents of the State to a comprehensive package of*  
19       *basic health care benefits; and*

20                *(B) ensures such access by providing that*  
21       *such benefits shall be provided directly or by con-*  
22       *tract by public and private entities.*

23             *(3) The term “comprehensive package of basic*  
24       *health care benefits” means the health care benefits*

1       *provided for by a State under the comprehensive*  
2       *health benefit plan of the State.*

3             (4) *The term “health care system of the Depart-*  
4       *ment”, in the case of a State designated as a location*  
5       *for a pilot program, means the facilities and person-*  
6       *nel of the Department located in that State that pro-*  
7       *vide health care services under chapter 17 of title 38,*  
8       *United States Code.*

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